

Original Application

Celina Health &
Rehabilitation
Center

CN1708-024



State of Tennessee

Health Services and Development Agency

Andrew Jackson Building, 9th Floor, 502 Deaderick Street, Nashville, TN 37243

www.tn.gov/hsda Phone: 615-741-2364 Fax: 615-741-9884

CERTIFICATE OF NEED APPLICATION

SECTION A: APPLICANT PROFILE

1. Name of Facility, Agency, or Institution

Celina Health and Rehabilitation Center
Name

120 Pitcock Lane

Street or Route

Clay

County

Celina

City

TN

State

38551

Zip Code

Website address: <http://www.celinahealthandrehab.com>

*Note: The facility's name and address **must be** the name and address of the project and **must be** consistent with the Publication of Intent.*

2. Contact Person Available for Responses to Questions

E Graham Baker Jr

Name

Attorney

Title

Anderson and Baker

Company Name

graham@grahambaker.net

Email address

2120 Richard Jones Road

Street or Route

Nashville

City

TN

State

37215

Zip Code

Attorney

Association with Owner

615-370-3380

Phone Number

615-221-0080

Fax Number

NOTE: *Section A* is intended to give the applicant an opportunity to describe the project. *Section B* addresses how the project relates to the criteria for a Certificate of Need by addressing: Need, Economic Feasibility, Contribution to the Orderly Development of Health Care, and Quality Measures.

Please answer all questions on 8½" X 11" white paper, clearly typed and spaced, single or double-sided, in order and sequentially numbered. In answering, please type the question and the response. All questions must be answered. If an item does not apply, please indicate "N/A" (not applicable). Attach appropriate documentation as an Appendix at the end of the application and reference the applicable Item Number on the attachment, i.e., Attachment A.1, A.2, etc. The last page of the application should be a completed signed and notarized affidavit.

3. SECTION A: EXECUTIVE SUMMARY

A. Overview

Please provide an overview not to exceed three pages in total explaining each numbered point.

- 1) Description – Address the establishment of a health care institution, initiation of health services, bed complement changes, and/or how this project relates to any other outstanding but unimplemented certificates of need held by the applicant;

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 *et seq.*, and the Rules of the Health Services and Development Agency, that Celina Health and Rehabilitation Center (“Applicant”), 120 Pitcock Lane, Celina (Clay County), Tennessee 38551, a licensed sixty-six (66) bed nursing home owned by Integrity Healthcare of Celina, LLC, 801 Broad Street, Suite 300, Chattanooga, TN 37402, with an ownership type of Limited Liability Company (LLC) and managed by Grace Healthcare, LLC, a Delaware limited liability company having an office at 7201 Shallowford Road, Suite 200, Chattanooga, TN 37421, intends to file a Certificate of Need application for the addition of twelve (12) nursing home beds to be requested from the statutory pool of beds authorized at T.C.A. §68-11-1622. All existing beds at the Applicant’s nursing home are dually certified, as will be the requested additional beds, if approved. An approximate 3,473 Gross Square Feet addition will be added to the existing facility, which addition will house the requested additional beds plus space for patient therapy and staff work area. The requested beds will be licensed by the Tennessee Department of Health as nursing home beds, as are the already-approved beds at the Applicant’s facility. There is no major medical equipment involved with this project. No other health services will be initiated or discontinued. It is proposed that the Applicant will continue to serve Medicare, Medicaid, commercially insured, and private-pay patients. The estimated project cost is anticipated to be approximately \$1,199,000.00, including a \$15,000.00 filing fee.

The anticipated date of filing the application is: August 15, 2017.

The contact person for this project is E. Graham Baker, Jr., Attorney, who may be reached at Anderson & Baker, 2021 Richard Jones Road, Suite 120, Nashville, TN 37215, 615/370-3380.

Neither the Applicant nor its owner have any outstanding Certificate of Need applications that are approved but not yet in service.

- 2) Ownership structure;

Celina Health and Rehabilitation Center (“Applicant”), 120 Pitcock Lane, Celina (Clay County), Tennessee 38551, a licensed sixty-six (66) bed nursing home, is owned by Integrity Healthcare of Celina, LLC, 801 Broad Street, Suite 300, Chattanooga, TN 37402.

- 3) Service area;

The facility’s existing primary service area is Clay County, Tennessee. Approximately 72.4% of the facility’s patients from Tennessee originate from Clay County, and the next highest geographic area of patient origination is Kentucky. Approximately 75.8% of the facility’s total patients originate from Clay County, Tennessee and Kentucky.

- 4) Existing similar service providers;

There are no other nursing home providers in Clay County, TN.

5) Project cost;

The estimated project cost is anticipated to be approximately \$1,199,000.00, including filing fee.

6) Funding;

The construction will be funded by a bank loan. Two separate banks have expressed an interest in funding this project. See Attachment B.EconomicFeasibility.B.

7) Financial Feasibility including when the proposal will realize a positive financial margin; and

Since fixed costs are already covered by the existing patient census, only variable costs (additional labor, supplies, etc.) are required to be covered by the increase in licensed beds. Therefore, the cash flow recovery could occur within 4 months.

8) Staffing.

Our current staffing is approximately 67.4 FTEs (all staff, both direct care and others), and we anticipate projected staffing of approximately 76.4 FTEs, approximately 5 of which would be direct care personnel (Nursing, Nursing Assistants).

B. Rationale for Approval

A certificate of need can only be granted when a project is necessary to provide needed health care in the area to be served, can be economically accomplished and maintained, will provide health care that meets appropriate quality standards, and will contribute to the orderly development of adequate and effective health care in the service area. This section should provide rationale for each criterion using the data and information points provided in Section B. of this application. Please summarize in one page or less each of the criteria:

1) Need;

According to the December 2015 (latest) issuance of chart “Nursing Home Bed Need Based Upon Old Ratio Standards Methodology Used for Medicare Beds Need Calculations, by County and State Total, 2018” supplied by the Tennessee Department of Health, Division of Policy, Planning and Assessment, there is a need for eighty-eight (88) beds in Clay County by 2018. Currently, there are only sixty-six

(66) beds, all at the Applicant's facility. All existing beds are dually certified, and all twelve (12) requested beds will also be dually certified. Our existing beds operated at 97.3% occupancy in 2016.

2) Economic Feasibility;

According to the HSDA website, Nursing Home New Construction Cost Per Square Foot, Years: 2014 – 2016 indicates that 1st, Median, and 3rd Quartile amounts average \$174.53, \$181.72, and \$188.39, and that Renovated Constructions Cost Per Square Foot average \$6.51, \$58.39, and \$90.46. This application anticipates constructing 3,473 GSF of new space and renovating 261 GSF of existing space. Our total building construction cost is estimated to be \$720,000, resulting in a total cost of \$192.83 per GSF (both renovation and new construction). This amount is slightly over the 3rd Quartile amount reported by the HSDA. Part of the reason is the distance to Celina from transportation routes (like I-40), and the fact that many of the construction personnel will have to come in from greater distances. This adds to the construction cost. Please see Attachment A.3.B.2.

3) Appropriate Quality Standards; and

The Applicant is licensed and in good standing with the Tennessee Department of Health (License No. 36), and is managed by Grace Healthcare, LLC. In addition, the Applicant meets all quality standards at present, and anticipates no quality issues in the future.

4) Orderly Development to adequate and effective health care.

The Applicant is the only nursing home in Clay County, and over two-thirds of its patients originate from Clay County. The next highest geographic patient origination area is the State of Kentucky. Therefore, no Tennessee nursing homes will be negatively impacted by this relatively small addition of nursing home beds, and the project will contribute to the orderly development of adequate and effective health care in the State of Tennessee.

C. Consent Calendar Justification

If Consent Calendar is requested, please provide the rationale for an expedited review.

A request for Consent Calendar must be in the form of a written communication to the Agency's Executive Director at the time the application is filed.

The Applicant is requesting to be placed on the Consent Calendar. Rationale includes: (1) the Applicant's facility operated at 97.3% in its most recent reporting period, indicating need for the requested beds; (2) the project is economically feasible and is the most cost-efficient manner in which to provide the needed additional beds; (3) the facility maintains high quality standards and will continue to do so; and (4) as there are no other nursing homes in the primary service area of Clay County which could provide needed beds, this application, if approved, will contribute to the orderly development of health care in the area. In addition, the state law anticipates that existing nursing homes may need to add a few beds on occasion, as evidenced by T.C.A. §68-11-1622. Please see Attachment A.3.C.

4. SECTION A: PROJECT DETAILS

A. Owner of the Facility, Agency or Institution

Integrity Healthcare of Celina, LLC
Name

423-308-1845
Phone Number

801 Broad Street Suite 300
Street or Route

Hamilton
County

Chattanooga
City

TN
State

37402
Zip Code

B. Type of Ownership of Control (Check One)

A. Sole Proprietorship ☐

B. Partnership ☐

C. Limited Partnership ☐

D. Corporation (For Profit) ☐

E. Corporation (Not-for-Profit) ☐

F. Government (State of TN or Political Subdivision) ☐

G. Joint Venture ☐

H. Limited Liability Company ☒

I. Other (Specify) ☐

*Attach a copy of the partnership agreement, or corporate charter and certificate of corporate existence. Please provide documentation of the active status of the entity from the Tennessee Secretary of State's web-site at <https://tnbear.tn.gov/ECommerce/FilingSearch.aspx>. **Attachment Section A-4A.***

Describe the existing or proposed ownership structure of the applicant, including an ownership structure organizational chart. Explain the corporate structure and the manner in which all entities of the ownership structure relate to the applicant. As applicable, identify the members of the ownership entity and each member's percentage of ownership, for those members with 5% ownership (direct or indirect) interest. **Celina Health & Rehabilitation Center (the Applicant) is 100% owned by Integrity Healthcare of Celina, LLC.**

5. Name of Management/Operating Entity (If Applicable)

Grace Healthcare, LLC
Name

7201 Shallowford Road, Suite 200
Street or Route

Hamilton
County

Chattanooga
City

TN
State

37421
Zip Code

Website address: <http://www.gracehc.com/>

For new facilities or existing facilities without a current management agreement, attach a copy of a draft management agreement that at least includes the anticipated scope of management services to be provided, the anticipated term of the agreement, and the anticipated management fee payment methodology and schedule. For facilities with existing management agreements, attach a copy of the fully executed final contract. **Attachment Section A-5.**

6A. Legal Interest in the Site of the Institution (Check One)

- | | | | |
|-----------------------------|----------|--------------------|-------|
| A. Ownership | _____ | D. Option to Lease | _____ |
| B. Option to Purchase | _____ | E. Other (Specify) | _____ |
| C. Lease of <u>18</u> Years | <u>x</u> | | |

Check appropriate line above: For applicants or applicant's parent company/owner that currently own the building/land for the project location, attach a copy of the title/deed. For applicants or applicant's parent company/owner that currently lease the building/land for the project location, attach a copy of the fully executed lease agreement. For projects where the location of the project has not been secured, attach a fully executed document including Option to Purchase Agreement, Option to Lease Agreement, or other appropriate documentation. Option to Purchase Agreements **must include** anticipated purchase price. Lease/Option to Lease Agreements **must include** the actual/anticipated term of the agreement **and** actual/anticipated lease expense. The legal interests described herein **must be valid** on the date of the Agency's consideration of the certificate of need application.

6B. Attach a copy of the site's plot plan, floor plan, and if applicable, public transportation route to and from the site on an 8 1/2" x 11" sheet of white paper, single or double-sided. **DO NOT SUBMIT BLUEPRINTS.** Simple line drawings should be submitted and need not be drawn to scale.

- 1) Plot Plan **must include**:
 - a. Size of site (***in acres***); approximately 3.5 Acres
 - b. Location of structure on the site; noted
 - c. Location of the proposed construction/renovation; noted, and
 - d. Names of streets, roads or highway that cross or border the site. Noted
- 2) Attach a floor plan drawing for the facility which includes legible labeling of patient care rooms (noting private or semi-private), ancillary areas, equipment areas, etc. On an 8 1/2 by 11 sheet of paper or as many as necessary to illustrate the floor plan.
- 3) Describe the relationship of the site to public transportation routes, if any, and to any highway or major road developments in the area. Describe the accessibility of the proposed site to patients/clients.

The facility is located on Pitcock Lane in Celina, TN. There is an inter-city bus service. Celina is 38 miles from Interstate 40 (at Cookeville), and the two main highways that intersect the city are State Highways 52 and 53. The nearest general aviation is 17 miles away in Livingston, TN. Nashville is approximately 91 miles away from Celina.

Attachment Section A-6A, 6B-1 a-d, 6B-2, 6B-3.

7. **Type of Institution** (Check as appropriate--more than one response may apply)

- | | |
|--|--|
| A. Hospital (Specify) _____ | H. Nursing Home _____ <u>x</u> |
| B. Ambulatory Surgical Treatment Center (ASTC), Multi-Specialty _____ | I. Outpatient Diagnostic Center _____ |
| C. ASTC, Single Specialty _____ | J. Rehabilitation Facility _____ |
| D. Home Health Agency _____ | K. Residential Hospice _____ |
| E. Hospice _____ | L. Nonresidential Substitution-Based Treatment Center for Opiate Addiction _____ |
| F. Mental Health Hospital _____ | M. Other (Specify) _____ |
| G. Intellectual Disability Institutional Habilitation Facility ICF/IID _____ | |

Check appropriate lines(s).

8. **Purpose of Review** (Check appropriate lines(s) – more than one response may apply)

- | | |
|--|---|
| A. New Institution _____ | F. Change in Bed Complement _____ <u>x</u> |
| B. Modifying an ASTC with limitation still required per CON _____ | [Please note the type of change by underlining the appropriate response: <u>Increase</u> , Decrease, Designation, Distribution, Conversion, Relocation] |
| C. Addition of MRI Unit _____ | G. Satellite Emergency Dept. _____ |
| D. Pediatric MRI _____ | H. Change of Location _____ |
| E. Initiation of Health Care Service as defined in T.C.A. §68-11-1607(4) (Specify) _____ | I. Other (Specify) _____ |

9. **Medicaid/TennCare, Medicare Participation**

MCO Contracts [Check all that apply]

x AmeriGroup x United Healthcare Community Plan x BlueCare x TennCare Select

Medicare Provider Number 44-5445

Medicaid Provider Number 0445445 % ICF#7440454

Certification Type Nursing Home

If a new facility, will certification be sought for Medicare and/or Medicaid/TennCare?

Medicare Yes No N/A Medicaid/TennCare Yes No N/A

The facility is already certified for both Medicare and Medicaid/TennCare, and these certifications will continue with the new requested beds. Further, the facility has Managed Care Contracts with AmeriGroup, Blue Cross, Cigna, HealthSpring, UHC, WellCare, and MNS.

10. Bed Complement Data

A. Please indicate current and proposed distribution and certification of facility beds.

	<u>Current Licensed</u>	<u>Beds Staffed</u>	<u>Beds Proposed</u>	<u>*Beds Approved</u>	<u>**Beds Exempted</u>	<u>TOTAL Beds at Completion</u>
1) Medical						
2) Surgical						
3) ICU/CCU						
4) Obstetrical						
5) NICU						
6) Pediatric						
7) Adult Psychiatric						
8) Geriatric Psychiatric						
9) Child/Adolescent Psychiatric						
10) Rehabilitation						
11) Adult Chemical Dependency						
12) Child/Adolescent Chemical Dependency						
13) Long-Term Care Hospital						
14) Swing Beds						
15) Nursing Home – SNF (Medicare only)						
16) Nursing Home – NF (Medicaid only)						
17) Nursing Home – SNF/NF (dually certified Medicare/Medicaid)	<u>66</u>	<u>66</u>	<u>12</u>			<u>78</u>
18) Nursing Home – Licensed (non-certified)						
19) ICF/IID						
20) Residential Hospice						
TOTAL	<u>66</u>	<u>66</u>	<u>12</u>			<u>78</u>

*Beds approved but not yet in service

**Beds exempted under 10% per 3 year provision

B. Describe the reasons for change in bed allocations and describe the impact the bed change will have on the applicant facility's existing services. **Attachment Section A-10.**

C. Please identify all the applicant's outstanding Certificate of Need projects that have a licensed bed change component. If applicable, complete chart below.

<u>CON Number(s)</u>	<u>CON Expiration Date</u>	<u>Total Licensed Beds Approved</u>
<u>n/a</u>		

11. Home Health Care Organizations – Home Health Agency, Hospice Agency (excluding Residential Hospice), identify the following by checking all that apply: (Not Applicable)

	Existing Licensed County	Parent Office County	Proposed Licensed County		Existing Licensed County	Parent Office County	Proposed Licensed County
Anderson				Lauderdale			
Bedford				Lawrence			
Benton				Lewis			
Bledsoe				Lincoln			
Blount				Loudon			
Bradley				McMinn			
Campbell				McNairy			
Cannon				Macon			
Carroll				Madison			
Carter				Marion			
Cheatham				Marshall			
Chester				Maury			
Claiborne				Meigs			
Clay				Monroe			
Cocke				Montgomery			
Coffee				Moore			
Crockett				Morgan			
Cumberland				Obion			
Davidson				Overton			
Decatur				Perry			
DeKalb				Pickett			
Dickson				Polk			
Dyer				Putnam			
Fayette				Rhea			
Fentress				Roane			
Franklin				Robertson			
Gibson				Rutherford			
Giles				Scott			
Grainger				Sequatchie			
Greene				Sevier			
Grundy				Shelby			
Hamblen				Smith			
Hamilton				Stewart			
Hancock				Sullivan			
Hardeman				Sumner			
Hardin				Tipton			
Hawkins				Trousdale			
Haywood				Unicoi			
Henderson				Union			
Henry				Van Buren			
Hickman				Warren			
Houston				Washington			
Humphreys				Wayne			
Jackson				Weakley			
Jefferson				White			
Johnson				Williamson			
Knox				Wilson			
Lake							

12. Square Footage and Cost Per Square Footage Chart

Unit/Department	Existing Location	Existing SF	Temporary Location	Proposed Final Location	Proposed Final Square Footage		
					Renovated	New	Total
New Staff Support						347	347
New Therapy						641	641
New Patient Rooms					261	2,244	2,505
Unit/Department GSF Sub-Total					261	3,232	3,493
Other GSF Total						241	241
Total GSF					261	3,473	3,734
*Total Cost							\$720,000
**Cost Per Square Foot							\$192.83
<p>Cost per Square Foot Is Within Which Range <i>(For quartile ranges, please refer to the Applicant's Toolbox on www.in.gov/hsda)</i></p>					<input type="checkbox"/> Below 1 st Quartile <input type="checkbox"/> Between 1 st and 2 nd Quartile <input type="checkbox"/> Between 2 nd and 3 rd Quartile <input type="checkbox"/> Above 3 rd Quartile	<input type="checkbox"/> Below 1 st Quartile <input type="checkbox"/> Between 1 st and 2 nd Quartile <input type="checkbox"/> Between 2 nd and 3 rd Quartile <input type="checkbox"/> Above 3 rd Quartile	<input type="checkbox"/> Below 1 st Quartile <input type="checkbox"/> Between 1 st and 2 nd Quartile <input type="checkbox"/> Between 2 nd and 3 rd Quartile <input checked="" type="checkbox"/> Above 3 rd Quartile

* The Total Construction Cost should equal the Construction Cost reported on line A5 of the Project Cost Chart.

** Cost per Square Foot is the construction cost divided by the square feet. Please do not include contingency costs.

13. MRI, PET, and/or Linear Accelerator (Not Applicable)

1. Describe the acquisition of any Magnetic Resonance Imaging (MRI) scanner that is adding a MRI scanner in counties with population less than 250,000 or initiation of pediatric MRI in counties with population greater than 250,000 and/or
2. Describe the acquisition of any Positron Emission Tomographer (PET) or Linear Accelerator if initiating the service by responding to the following:

A. Complete the chart below for acquired equipment.

<input type="checkbox"/> Linear Accelerator	Mev _____ Types: _____ Total Cost*: _____ <input type="checkbox"/> New <input type="checkbox"/> Refurbished	<input type="checkbox"/> SRS <input type="checkbox"/> IMRT <input type="checkbox"/> IGRT <input type="checkbox"/> Other _____ <input type="checkbox"/> By Purchase <input type="checkbox"/> By Lease Expected Useful Life (yrs) _____ <input type="checkbox"/> If not new, how old? (yrs) _____
<input type="checkbox"/> MRI	Tesla: _____ Magnet: _____ Total Cost*: _____ <input type="checkbox"/> New <input type="checkbox"/> Refurbished	<input type="checkbox"/> Breast <input type="checkbox"/> Extremity <input type="checkbox"/> Open <input type="checkbox"/> Short Bore <input type="checkbox"/> _____ <input type="checkbox"/> Other _____ <input type="checkbox"/> By Purchase <input type="checkbox"/> By Lease Expected Useful Life (yrs) _____ <input type="checkbox"/> If not new, how old? (yrs) _____
<input type="checkbox"/> PET	<input type="checkbox"/> PET only <input type="checkbox"/> PET/CT <input type="checkbox"/> PET/MRI Total Cost*: _____ <input type="checkbox"/> New <input type="checkbox"/> Refurbished	<input type="checkbox"/> By Purchase <input type="checkbox"/> By Lease Expected Useful Life (yrs) _____ <input type="checkbox"/> If not new, how old? (yrs) _____

* As defined by Agency Rule 0720-9-.01(13)

B. In the case of equipment purchase, include a quote and/or proposal from an equipment vendor. In the case of equipment lease, provide a draft lease or contract that at least includes the term of the lease and the anticipated lease payments along with the fair market value of the equipment.

C. Compare lease cost of the equipment to its fair market value. Note: Per Agency Rule, the higher cost must be identified in the project cost chart.

D. Schedule of Operations:

Location	Days of Operation (Sunday through Saturday)	Hours of Operation (example: 8 am – 3 pm)
Fixed Site (Applicant)	_____	_____
Mobile Locations (Applicant)	_____	_____
(Name of Other Location)	_____	_____
(Name of Other Location)	_____	_____

E. Identify the clinical applications to be provided that apply to the project.

- F. If the equipment has been approved by the FDA within the last five years provide documentation of the same.

SECTION B: GENERAL CRITERIA FOR CERTIFICATE OF NEED

In accordance with T.C.A. § 68-11-1609(b), “no Certificate of Need shall be granted unless the action proposed in the application for such Certificate is necessary to provide needed health care in the area to be served, can be economically accomplished and maintained, will provide health care that meets appropriate quality standards, and will contribute to the orderly development of health care.” Further standards for guidance are provided in the State Health Plan developed pursuant to T.C.A. § 68-11-1625.

The following questions are listed according to the four criteria: (1) Need, (2) Economic Feasibility, (3) Applicable Quality Standards, and (4) Contribution to the Orderly Development of Health Care. Please respond to each question and provide underlying assumptions, data sources, and methodologies when appropriate. *Please type each question and its response on an 8 1/2" x 11" white paper, single-sided or double sided.* All exhibits and tables must be attached to the end of the application in correct sequence identifying the question(s) to which they refer, unless specified otherwise. *If a question does not apply to your project, indicate “Not Applicable (NA).”*

QUESTIONS

SECTION B: NEED

- A. Provide a response to each criterion and standard in Certificate of Need Categories in the State Health Plan that are applicable to the proposed project. Criteria and standards can be obtained from the Tennessee Health Services and Development Agency or found on the Agency’s website at <http://www.tn.gov/hsda/article/hsda-criteria-and-standards>.

See Attachment B.Need.A.

- B. Describe the relationship of this project to the applicant facility’s long-range development plans, if any, and how it relates to related previously approved projects of the applicant.

There are no long range development plans.

- C. Identify the proposed service area and justify the reasonableness of that proposed area. Submit a county level map for the Tennessee portion of the service area using the map on the following page, clearly marked to reflect the service area as it relates to meeting the requirements for CON criteria and standards that may apply to the project. Please include a discussion of the inclusion of counties in the Border States, if applicable. **Attachment Section B - Need-C.**

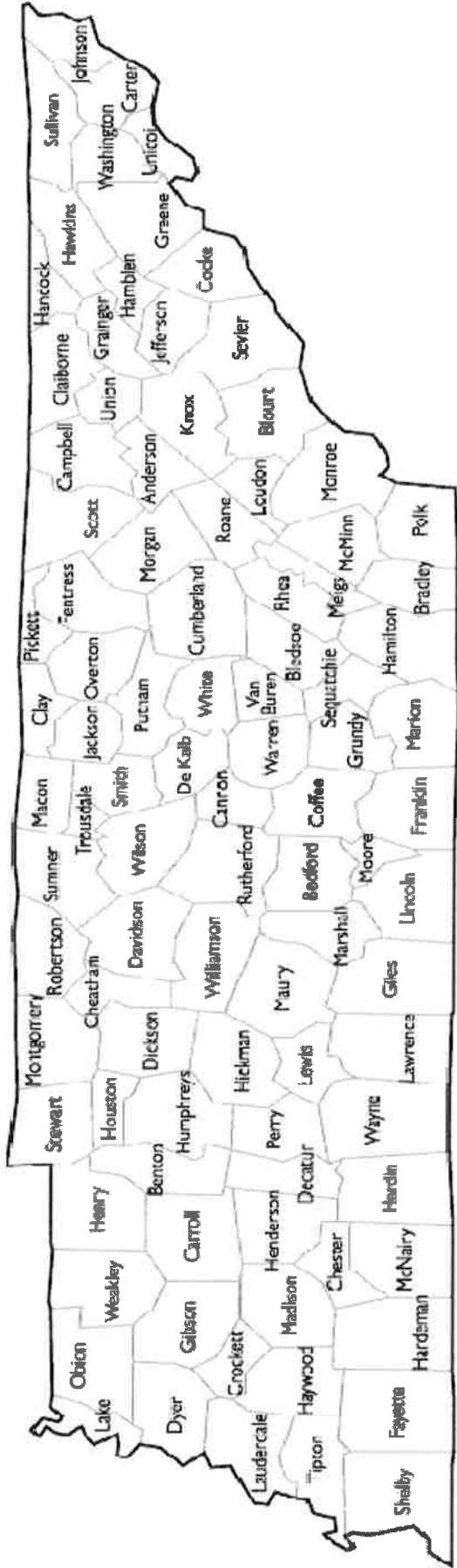
Please complete the following tables, if applicable:

Service Area Counties	Historical Utilization-County Residents	# and % of total patients
County #1	Clay	42 and 63.6
County #2	Jackson	5 and 7.6
	Macon	4 and 6.1
	Madison	1 and 1.5
	Overton	4 and 6.1
	Putnam	2 and 3.0
Kentucky	Kentucky	7 and 10.6
Georgia	Georgia	1 and 1.5
Total		66 and 100%

Service Area Counties	Projected Utilization-County Residents	# and % of total patients
County #1	Clay	49 and 62.8
County #2	Jackson	6 and 7.7
	Macon	5 and 6.4
	Madison	1 and 1.3
	Overton	5 and 6.4
	Putnam	2 and 2.6
Kentucky	Kentucky	9 and 11.5
Georgia	Georgia	1 and 1.3
Total		78 and 100%

Note: Clay County is coterminous with Kentucky, and Kentucky residents amount to roughly 10% of our patients, historically. In fact, after Clay County, Kentucky residents (7 patients in 2015) are the second highest geographical area regarding our patient origin. We do not anticipate this changing in the future. While Clay County is coterminous with Macon, Jackson, Overton, and Pickett Counties in Tennessee, our 2015 JAR showed that the highest number of patients from any of these Counties was Jackson, with 5 patients. However, we are the only nursing home in Clay County, and over two-thirds of our Tennessee patients originate from Clay County, which we consider our primary service area.

County Level Map



D. 1). a) Describe the demographics of the population to be served by the proposal.

Clay County is a rural county covering approximately 233 square miles, and is north of Cookeville, Tennessee. Celina is the county seat, and there are no additional incorporated cities in the county. The county has a population of less than 8,000 people, and over one-fourth of them are over the age of 65. Please see Attachment B.Need.D.1.a for more quick facts about Clay County.

b) Using current and projected population data from the Department of Health, the most recent enrollee data from the Bureau of TennCare, and demographic information from the US Census Bureau, complete the following table and include data for each county in your proposed service area.

Projected Population Data: <http://www.tn.gov/health/article/statistics-population>

TennCare Enrollment Data: <http://www.tn.gov/tenncare/topic/enrollment-data>

Census Bureau Fact Finder: <http://factfinder.census.gov/faces/nav/jsf/pages/index.xhtml>

Demographic Variable/Geographic Area	Department of Health/Health Statistics							Bureau of the Census				TennCare	
	Total Population-Current Year	Total Population-Projected Year	Total Population-% Change	*Target Population-Current Year	*Target Population-Project Year	*Target Population-% Change	Target Population Projected Year as %	Median Age	Median Household Income	Person Below Poverty Level	Person Below Poverty Level as % of	TennCare Enrollees	TennCare Enrollees
Clay County	7884	7879	-0.1	1991	2082	+4.6	26.4	45.1	\$28804	1801	22.8	2112	26.
County B, etc.													
Service Area Total	7884	7879	-0.1	1991	2082	+4.6	26.4	45.1	\$28804	1801	22.8	2112	26.
State of TN Total	6887572	7035572	+2.1	1133025	1219696	7.6	17.3	38.4	\$45219	1117594	15.9	1412063	20.

** Target Population is population that project will primarily serve. For example, nursing home, home health agency, hospice agency projects typically primarily serve the Age 65+ population; projects for child and adolescent psychiatric services will serve the Population Ages 0-19. Projected Year is defined in select service-specific criteria and standards. If Projected Year is not defined, default should be four years from current year, e.g., if Current Year is 2016, then default Projected Year is 2020.*

2) Describe the special needs of the service area population, including health disparities, the accessibility to consumers, particularly the elderly, women, racial and ethnic minorities, and low-income groups. Document how the business plans of the facility will take into consideration the special needs of the service area population.

Clay County, TN is a medically underserved area, according to Health Resources and Services Administration. The addition of nurses and nursing services in the county will add more health care services

in the county. Further, while the Applicant will serve all people who present and qualify for nursing services, such services normally target the elderly population. While the elderly population (aged 65+) makes up only 17.3% of the population of Tennessee, that same segment of the population represents 26.4% of the population of Clay County. Therefore, the population being served by the Applicant, and these addition requested beds, are in more need of such services than the general population of the state. This results in special needs for Clay County residents. See Attachment B.Need.D.2.

- E. Describe the existing and approved but unimplemented services of similar healthcare providers in the service area. Include utilization and/or occupancy trends for each of the most recent three years of data available for this type of project. List each provider and its utilization and/or occupancy individually. Inpatient bed projects must include the following data: Admissions or discharges, patient days, average length of stay, and occupancy. Other projects should use the most appropriate measures, e.g., cases, procedures, visits, admissions, etc. This doesn't apply to projects that are solely relocating a service.

There are no other existing and/or approved but unimplemented services of similar healthcare providers in the service area.

- F. Provide applicable utilization and/or occupancy statistics for your institution for each of the past three years and the projected annual utilization for each of the two years following completion of the project. Additionally, provide the details regarding the methodology used to project utilization. The methodology **must include** detailed calculations or documentation from referral sources, and identification of all assumptions.

The Applicant has operated at 95.7%, 93.9%, and 97.3% during 2014, 2015, and 2016, respectively. The increase in occupancy rate indicates a need for more beds.

The Applicant anticipates the occupancy rates for the first two years following completion of the project as follows: Total Facility, 92.3% and 94.9%; and the 12 bed addition, only: 75.2% and 91.7%. These estimates are based on actual utilization experience of the management company when adding similar numbers of beds to similarly-sized facilities in the past. The only assumption being made is that all of the similar additions that the management company have experienced in the past will replicate on this project. There is nothing known that indicates the facility, the locale, or the population to be served is statistically different from past experience.

SECTION B: ECONOMIC FEASIBILITY

A. Provide the cost of the project by completing the Project Costs Chart on the following page. Justify the cost of the project.

- 1) All projects should have a project cost of at least \$15,000 (the minimum CON Filing Fee). (See Application Instructions for Filing Fee).

The filing fee amounts to \$15,000.00.

- 2) The cost of any lease (building, land, and/or equipment) should be based on fair market value or the total amount of the lease payments over the initial term of the lease, whichever is greater. Note: This applies to all equipment leases including by procedure or "per click" arrangements. The methodology used to determine the total lease cost for a "per click" arrangement must include, at a minimum, the projected procedures, the "per click" rate and the term of the lease.

Since the Applicant is currently licensed and no additional land is required for this project, the inclusion of the existing least figures is not required for this project.

- 3) The cost for fixed and moveable equipment includes, but is not necessarily limited to, maintenance agreements covering the expected useful life of the equipment; federal, state, and local taxes and other government assessments; and installation charges, excluding capital expenditures for physical plant renovation or in-wall shielding, which should be included under construction costs or incorporated in a facility lease.

There is no moveable equipment as suggested by this question. The additional twelve beds and related room furniture will be purchased, but there is no equipment costing over \$50,000.00. Furnishings are anticipated to cost \$18,000.00.

- 4) Complete the Square Footage Chart on page 8 and provide the documentation. Please note the Total Construction Cost reported on line 5 of the Project Cost Chart should equal the Total Construction Cost reported on the Square Footage Chart.

The Square Footage Chart is completed.

- 5) For projects that include new construction, modification, and/or renovation—**documentation must be** provided from a licensed architect or construction professional that support the estimated construction costs. Provide a letter that includes the following:
 - a) A general description of the project;
 - b) An estimate of the cost to construct the project;
 - c) A description of the status of the site's suitability for the proposed project; and
 - d) Attesting the physical environment will conform to applicable federal standards, manufacturer's specifications and licensing agencies' requirements including the AIA Guidelines for Design and Construction of Hospital and Health Care Facilities in current use by the licensing authority.

Please see Attachment B.EconomicFeasibility.5.

PROJECT COST CHART

AUG 10 17 AM '05

A.	Construction and equipment acquired by purchase:	
1.	Architectural and Engineering Fees	46,000
2.	Legal, Administrative (Excluding CON Filing Fee), Consultant Fees	40,000
3.	Acquisition of Site	
4.	Preparation of Site	265,000
5.	Total Construction Costs	720,000
6.	Contingency Fund	
7.	Fixed Equipment (Not included in Construction Contract)	25,000
8.	Moveable Equipment (List all equipment over \$50,000 as separate attachments)	
9.	Other (Specify) <u>Furnishings</u>	18,000
B.	Acquisition by gift, donation, or lease:	
1.	Facility (inclusive of building and land)	
2.	Building only	
3.	Land only	
4.	Equipment (Specify) _____	
5.	Other (Specify) _____	
C.	Financing Costs and Fees:	
1.	Interim Financing	
2.	Underwriting Costs	10,000
3.	Reserve for One Year's Debt Service	60,000
4.	Other (Specify) _____	
D.	Estimated Project Cost (A+B+C)	1,184,000
E.	CON Filing Fee	15,000
F.	Total Estimated Project Cost (D+E) TOTAL	1,199,000

B. Identify the funding sources for this project.

Check the applicable item(s) below and briefly summarize how the project will be financed. ***(Documentation for the type of funding MUST be inserted at the end of the application, in the correct alpha/numeric order and identified as Attachment Section B-Economic Feasibility-B.)***

- ☒ 1) Commercial loan – Letter from lending institution or guarantor stating favorable initial contact, proposed loan amount, expected interest rates, anticipated term of the loan, and any restrictions or conditions;
- ☐ 2) Tax-exempt bonds – Copy of preliminary resolution or a letter from the issuing authority stating favorable initial contact and a conditional agreement from an underwriter or investment banker to proceed with the issuance;
- ☐ 3) General obligation bonds – Copy of resolution from issuing authority or minutes from the appropriate meeting;
- ☐ 4) Grants – Notification of intent form for grant application or notice of grant award;
- ☐ 5) Cash Reserves – Appropriate documentation from Chief Financial Officer of the organization providing the funding for the project and audited financial statements of the organization; and/or
- ☐ 6) Other – Identify and document funding from all other sources.

Please see Attachment B.EconomicFeasibility.B.

C. Complete Historical Data Charts on the following two pages—**Do not modify the Charts provided or submit Chart substitutions!**

Historical Data Chart represents revenue and expense information for the last *three (3)* years for which complete data is available. Provide a Chart for the total facility and Chart just for the services being presented in the proposed project, if applicable. **Only complete one chart if it suffices.**

Note that “Management Fees to Affiliates” should include management fees paid by agreement to the parent company, another subsidiary of the parent company, or a third party with common ownership as the applicant entity. “Management Fees to Non-Affiliates” should include any management fees paid by agreement to third party entities not having common ownership with the applicant.

HISTORICAL DATA CHART

☒ **Total Facility**
☐ **Project Only**

Give information for the last *three (3)* years for which complete data are available for the facility or agency. The fiscal year begins in January (Month).

	2014	2015	2016
A. Utilization Data (Specify unit of measure, e.g., 1,000 patient days, 500 visits) Patient Days	<u>23,125</u>	<u>22,624</u>	<u>23,439</u>
B. Revenue from Services to Patients			
1. Inpatient Services	<u>\$5,839,132</u>	<u>\$5,870,065</u>	<u>\$5,716,293</u>
2. Outpatient Services			
3. Emergency Services			
4. Other Operating Revenue (Specify) prior year adjustments	<u>(699)</u>	<u>15,244</u>	<u>1034</u>
Gross Operating Revenue	<u>\$5,838,433</u>	<u>\$5,885,309</u>	<u>\$5,717,278</u>
C. Deductions from Gross Operating Revenue			
1. Contractual Adjustments	<u>\$1,275,352</u>	<u>\$1,100,081</u>	<u>\$806,378</u>
2. Provision for Charity Care			
3. Provisions for Bad Debt	<u>(20,742)</u>	<u>(8,380)</u>	<u>11,393</u>
Total Deductions	<u>\$1,254,611</u>	<u>\$1,091,701</u>	<u>\$817,721</u>
NET OPERATING REVENUE	<u>\$4,583,823</u>	<u>\$4,793,608</u>	<u>\$4,899,557</u>
D. Operating Expenses			
1. Salaries and Wages			
a. Direct Patient Care	<u>1,171,083</u>	<u>1,189,677</u>	<u>1,265,420</u>
b. Non-Patient Care	<u>833,994</u>	<u>975,446</u>	<u>1,032,838</u>
2. Physician's Salaries and Wages			
3. Supplies	<u>670,121</u>	<u>643,178</u>	<u>578,864</u>
4. Rent			
a. Paid to Affiliates	<u>355,938</u>	<u>355,938</u>	<u>369,478</u>
b. Paid to Non-Affiliates			
5. Management Fees:			
a. Paid to Affiliates			
b. Paid to Non-Affiliates	<u>230,353</u>	<u>239,680</u>	<u>244,978</u>
6. Other Operating Expenses	<u>1,226,873</u>	<u>1,252,599</u>	<u>1,284,904</u>
Total Operating Expenses	<u>\$4,488,362</u>	<u>\$4,656,519</u>	<u>\$4,776,532</u>
E. Earnings Before Interest, Taxes and Depreciation	<u>\$95,460</u>	<u>\$137,089</u>	<u>\$123,075</u>
F. Non-Operating Expenses			
1. Taxes	<u>\$</u>	<u>\$</u>	<u>\$</u>
2. Depreciation			
3. Interest		<u>581</u>	<u>507</u>
4. Other Non-Operating Expenses			<u>500</u>
Total Non-Operating Expenses	<u>\$</u>	<u>\$581</u>	<u>\$1,007</u>
NET INCOME (LOSS)	<u>\$95,460</u>	<u>\$136,508</u>	<u>\$132,068</u>

Chart Continues Onto Next Page

NET INCOME (LOSS)	<u>\$95,460</u>	<u>\$136,508</u>	<u>\$122,068</u>
G. Other Deductions			
1. Annual Principal Debt Repayment	\$	\$	\$
2. Annual Capital Expenditure			
Total Other Deductions	\$	\$	\$
NET BALANCE	<u>\$95,460</u>	<u>\$136,508</u>	<u>\$122,068</u>
DEPRECIATION	\$	\$	\$
FREE CASH FLOW (Net Balance + Depreciation)	<u>\$95,460</u>	<u>\$136,508</u>	<u>\$122,068</u>

☒ **Total Facility**
☐ Project Only

HISTORICAL DATA CHART-OTHER EXPENSES

<u>OTHER EXPENSES CATEGORIES</u>	2014	2015	2016
1. Major Purchases	<u>\$ 10,265</u>	<u>\$ 24,485</u>	<u>\$ 21,254</u>
2. Contracted Therapy	<u>318,296</u>	<u>315,574</u>	<u>293,541</u>
3. Purchased Services/Professional Fees	<u>235,584</u>	<u>196,656</u>	<u>236,314</u>
4. Utilities	<u>156,386</u>	<u>166,006</u>	<u>155,703</u>
5. Health and Related Insurance	<u>112,913</u>	<u>123,101</u>	<u>136,325</u>
6. Worker's Comp	<u>55,063</u>	<u>38,217</u>	<u>34,299</u>
7. Property and GL Insurance	<u>68,720</u>	<u>48,681</u>	<u>49,103</u>
8. General Administrative	<u>251,645</u>	<u>339,878</u>	<u>358,365</u>
Total Other Expenses	<u>\$1,236,873</u>	<u>\$1,252,599</u>	<u>\$1,289,904</u>

D. Complete Projected Data Charts on the following two pages – **Do not modify the Charts provided or submit Chart substitutions!**

The Projected Data Chart requests information for the two years following the completion of the proposed services that apply to the project. Please complete two Projected Data Charts. One Projected Data Chart should reflect revenue and expense projections for the **Proposal Only** (i.e., if the application is for additional beds, include anticipated revenue from the proposed beds only, not from all beds in the facility). The second Chart should reflect information for the total facility. **Only complete one chart if it suffices.**

Note that “Management Fees to Affiliates” should include management fees paid by agreement to the parent company, another subsidiary of the parent company, or a third party with common ownership as the applicant entity. “Management Fees to Non-Affiliates” should include any management fees paid by agreement to third party entities not having common ownership with the applicant.

PROJECTED DATA CHART

☒ **Total Facility**
☐ **Project Only**

Give information for the two (2) years following the completion of this proposal. The fiscal year begins in January (Month).

	Year 1	Year 2
A. Utilization Data (Specify unit of measure, e.g., 1,000 patient days, 500 visits) Patient Days.	<u>26,290</u>	<u>27,010</u>
B. Revenue from Services to Patients		
1. Inpatient Services	<u>\$7,651,993</u>	<u>\$8,063,576</u>
2. Outpatient Services		
3. Emergency Services		
4. Other Operating Revenue (Specify)vending, food, rebates	<u>18,312</u>	<u>18,814</u>
Gross Operating Revenue	<u>\$7,670,305</u>	<u>\$8,082,391</u>
C. Deductions from Gross Operating Revenue		
1. Contractual Adjustments	<u>\$1,525,267</u>	<u>\$1,631,804</u>
2. Provision for Charity Care		
3. Provisions for Bad Debt	<u>30,110</u>	<u>31,608</u>
Total Deductions	<u>\$1,555,377</u>	<u>\$1,663,412</u>
NET OPERATING REVENUE	<u>\$6,114,927</u>	<u>\$6,418,979</u>
D. Operating Expenses		
1. Salaries and Wages		
a. Direct Patient Care	<u>1,389,878</u>	<u>1,464,284</u>
b. Non-Patient Care	<u>1,192,180</u>	<u>1,221,178</u>
2. Physician's Salaries and Wages		
3. Supplies	<u>645,904</u>	<u>677,376</u>
4. Rent		
a. Paid to Affiliates	<u>499,937</u>	<u>499,937</u>
b. Paid to Non-Affiliates		
5. Management Fees:		
a. Paid to Affiliates		
b. Paid to Non-Affiliates	<u>305,746</u>	<u>320,948</u>
6. Other Operating Expenses	<u>1,588,999</u>	<u>1,661,759</u>
Total Operating Expenses	<u>\$5,622,647</u>	<u>\$5,845,484</u>
E. Earnings Before Interest, Taxes and Depreciation	<u>\$492,280</u>	<u>\$573,494</u>
F. Non-Operating Expenses		
1. Taxes	\$	\$
2. Depreciation		
3. Interest	<u>869</u>	<u>869</u>
4. Other Non-Operating Expenses		
Total Non-Operating Expenses	<u>\$869</u>	<u>\$869</u>
NET INCOME (LOSS)	<u>\$491,411</u>	<u>\$572,625</u>

Chart Continues Onto Next Page

NET INCOME (LOSS)	<u>\$491,411</u>	<u>\$572,625</u>
G. Other Deductions		
1. Estimated Annual Principal Debt Repayment	\$	\$
2. Annual Capital Expenditure		
Total Other Deductions	\$	\$
NET BALANCE	<u>\$491,411</u>	<u>\$572,625</u>
DEPRECIATION	\$	\$
FREE CASH FLOW (Net Balance + Depreciation)	<u>\$491,411</u>	<u>\$572,625</u>

☒ **Total Facility**
☐ Project Only

PROJECTED DATA CHART-OTHER EXPENSES

<u>OTHER EXPENSES CATEGORIES</u>	<u>Year 1</u>	<u>Year 2</u>
1. Major Purchases	<u>\$ 20,000</u>	<u>\$ 20,000</u>
2. Contracted Therapy	<u>523,541</u>	<u>580,126</u>
3. Purchased Services/Professional Fees	<u>185,365</u>	<u>187,308</u>
4. Utilities	<u>173,701</u>	<u>176,841</u>
5. Health and Related Insurance	<u>167,013</u>	<u>168,683</u>
6. Worker's Comp	<u>28,357</u>	<u>28,557</u>
7. Property and GL Insurance	<u>52,784</u>	<u>53,007</u>
8. General and Administrative	<u>438,237</u>	<u>447,236</u>
Total Other Expenses	<u>\$1,588,999</u>	<u>\$1,661,759</u>

PROJECTED DATA CHART

☐ Total Facility
☒ Project Only

Give information for the two (2) years following the completion of this proposal. The fiscal year begins in January (Month).

	Year 1	Year 2
A. Utilization Data (Specify unit of measure, e.g., 1,000 patient days, 500 visits) Patient Days.	<u>3,295</u>	<u>4,015</u>
B. Revenue from Services to Patients		
1. Inpatient Services	<u>\$1,487,362</u>	<u>\$1,883,598</u>
2. Outpatient Services		
3. Emergency Services		
4. Other Operating Revenue (Specify)Vending, Food, Rebates	<u>2,295</u>	<u>2,797</u>
Gross Operating Revenue	<u>\$1,489,657</u>	<u>\$1,886,395</u>
C. Deductions from Gross Operating Revenue		
1. Contractual Adjustments	<u>\$436,792</u>	<u>\$572,072</u>
2. Provision for Charity Care		
3. Provisions for Bad Debt	<u>5,159</u>	<u>6,405</u>
Total Deductions	<u>\$441,951</u>	<u>\$585,477</u>
NET OPERATING REVENUE	<u>\$1,047,706</u>	<u>\$1,300,917</u>
D. Operating Expenses		
1. Salaries and Wages		
a. Direct Patient Care	<u>171,404</u>	<u>234,083</u>
b. Non-Patient Care	<u>102,442</u>	<u>122,201</u>
2. Physician's Salaries and Wages		
3. Supplies	<u>119,965</u>	<u>146,362</u>
4. Rent		
a. Paid to Affiliates	<u>144,000</u>	<u>144,000</u>
b. Paid to Non-Affiliates		
5. Management Fees:		
a. Paid to Affiliates		
b. Paid to Non-Affiliates	<u>52,385</u>	<u>65,045</u>
6. Other Operating Expenses	<u>279,191</u>	<u>338,326</u>
Total Operating Expenses	<u>\$869,390</u>	<u>\$1,050,020</u>
E. Earnings Before Interest, Taxes and Depreciation	<u>\$178,316</u>	<u>\$250,897</u>
F. Non-Operating Expenses		
1. Taxes	<u>\$</u>	<u>\$</u>
2. Depreciation		
3. Interest		
4. Other Non-Operating Expenses		
Total Non-Operating Expenses	<u>\$</u>	<u>\$</u>
NET INCOME (LOSS)	<u>\$178,316</u>	<u>\$250,897</u>

Chart Continues Onto Next Page

NET INCOME (LOSS)	<u>\$178,316</u>	<u>\$250,897</u>
G. Other Deductions		
1. Estimated Annual Principal Debt Repayment	\$	\$
2. Annual Capital Expenditure		
Total Other Deductions	\$	\$
NET BALANCE	<u>\$178,316</u>	<u>\$250,897</u>
DEPRECIATION	\$	\$
FREE CASH FLOW (Net Balance + Depreciation)	<u>\$178,316</u>	<u>\$250,897</u>

☐ Total Facility
☒ Project Only

PROJECTED DATA CHART-OTHER EXPENSES

<u>OTHER EXPENSES CATEGORIES</u>	<u>Year 2018</u>	<u>Year 2019</u>
1. Major Purchases	\$	\$
2. Contracted Therapy	<u>183,916</u>	<u>237,104</u>
3. Purchase Services/Professional Fees	<u>1,054</u>	<u>1,422</u>
4. Utilities		
5. Health and Related Insurance	<u>9,000</u>	<u>9,090</u>
6. Worker's Comp	<u>12,041</u>	<u>12,161</u>
7. Property and GL Insurance		
8. General and Administrative	<u>73,180</u>	<u>78,549</u>
Total Other Expenses	<u>\$279,191</u>	<u>\$338,326</u>

- E. 1) Please identify the project's average gross charge, average deduction from operating revenue, and average net charge using information from the Projected Data Chart for Year 1 and Year 2 of the proposed project. Please complete the following table.

	Previous Year (2015)	Current Year (2016)	Year One	Year Two	% Change (Current Year to Year 2)
Gross Charge (<i>Gross Operating Revenue/Utilization Data</i>)	260.14	243.92	291.76	299.24	+22.7%
Deduction from Revenue (<i>Total Deductions/Utilization Data</i>)	48.25	34.89	59.16	61.59	+76.5%
Average Net Charge (<i>Net Operating Revenue/Utilization Data</i>)	211.89	209.03	232.60	237.65	+13.7%

- 2) Provide the proposed charges for the project and discuss any adjustment to current charges that will result from the implementation of the proposal. Additionally, describe the anticipated revenue from the project and the impact on existing patient charges.

The proposed charges for the total project are reflected in the table above: Year 1, \$291.76 in gross operating revenue per patient day, \$59.16 in contractual adjustments per patient day; and \$232.60 in net operating revenue per patient day. The implementation of this project, coupled with normal increases in costs, will increase the average net charge per patient day by approximately 13.7% in two years. This small increase is to be expected over a two year period of time.

- 3) Compare the proposed charges to those of similar facilities in the service area/adjoining service areas, or to proposed charges of projects recently approved by the Health Services and Development Agency. If applicable, compare the proposed charges of the project to the current Medicare allowable fee schedule by common procedure terminology (CPT) code(s).

Our service area is Clay County, and we are the only nursing home provider in the County. However, adjoining area facilities' information is presented in the chart at the top of the following page.

	Mabry Health Care and Rehab	Knollwood	The Palace Health Care and Rehab	Overton County Health and Rehab	Celina
M'care Advantage	-	6,132	-	-	92,678
All Other M'care	866,018	990,061	1,361,187	2,431,987	1,314,137
TennCare MCO	3,017,961	1,674,622	-	-	-
All Other M'caid	-	-	4,552,897	3,957,679	2,907,552
VA	-	-	-	382,100	-
Other Government	-	-	173,679	621	-
Total Government	3,883,979	2,670,815	6,087,763	6,772,387	4,314,367
Access Tennessee	-	-	-	-	-
Total Cover TN	-	-	-	-	-
Private	396,170	-	388,371	452,775	385,797
Long-Term Care Insur.	-	22,304	-	66,600	-
Other Non-Government	-	942,891	408,917	144,602	250,155
Total Non-Govt	396,170	965,195	797,288	663,977	635,952
Patient Revenue	4,280,149	3,636,010	6,885,051	7,436,364	4,950,319
Non-Patient Revenue	4	256,564	-	373,980	15,244
Total Revenue	4,280,153	3,892,574	6,885,051	7,810,344	4,965,563
Bad Debt	7,675	54,527	328,093	394,518	8,380
Charity Care	-	4,342	-	-	-
Other Adjustments	-	-	-	-	-
Daily Charge					
Medicare/Skilled Care	349.00	400.00	435.00	200.00	352.00
Medicaid/Level 2	205.00	152.00	146.00	200.00	-
Medicaid/Level 1	158.00	173.00	138.00	174.00	176.00
Private Level 2	290.00	-	225.00	-	-
Private Level 1	246.00	186.00	185.00	-	172.00
Semi Private Level 2	290.00	210.00	218.00	200.00	-
Semi Private Level 1	246.00	181.00	177.00	174.00	-
Ward Level 2	-	-	218.00	-	-
Ward Level 1	-	174.00	177.00	-	-

- F. 1) Discuss how projected utilization rates will be sufficient to support the financial performance. Indicate when the project's financial breakeven is expected and demonstrate the availability of sufficient cash flow until financial viability is achieved. Provide copies of the balance sheet and income statement from the most recent reporting period of the institution and the most recent audited financial statements with accompanying notes, if applicable. For all projects, provide financial information for the corporation, partnership, or principal parties that will be a source of funding for the project. Copies must be inserted at the end of the application, in the correct alpha-numeric order and labeled as **Attachment Section B-Economic Feasibility-F1**. **NOTE: Publicly held entities only need to reference their SEC filings.**

Since fixed costs are already covered by the existing patient census, only variable costs (additional labor, supplies, etc.) are required to be covered by the increase in licensed beds. Therefore, the cash flow recovery could occur within 4 months. Please see the following chart:

	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18
Revenue	24,076	37,897	59,838	75,212	107,638	104,165	107,638	107,638	104,165	107,638	104,165	107,638
Salary Expense	7,877	14,397	15,800	20,659	27,117	26,494	27,136	26,084	27,481	26,323	27,339	27,141
Other Expense	20,846	26,336	34,138	33,303	46,576	45,360	44,569	44,569	43,353	44,569	43,353	44,569
Operating Margin	(4,647)	(2,836)	9,900	21,249	33,945	32,311	35,932	36,984	33,332	36,746	33,473	35,927
Cash Flow	(16,647)	(14,836)	(2,100)	9,249	21,945	20,311	23,932	24,984	21,332	24,746	21,473	23,927

Financials are included as Attachment B.EconomicFeasibility.F.1.

- 2) Net Operating Margin Ratio – Demonstrates how much revenue is left over after all the variable or operating costs have been paid. The formula for this ratio is: (Earnings before interest, Taxes, and Depreciation/Net Operating Revenue).

Utilizing information from the Historical and Projected Data Charts please report the net operating margin ratio trends in the following table:

Year	2nd Year previous to Current Year	1st Year previous to Current Year	Current Year	Projected Year 1	Projected Year 2
Net Operating Margin Ratio	10.30%	10.10%	13.50%	16.20%	16.70%

- 3) Capitalization Ratio (Long-term debt to capitalization) – Measures the proportion of debt financing in a business's permanent (Long-term) financing mix. This ratio best measures a business's true capital structure because it is not affected by short-term financing decisions. The formula for this ratio is: $(\text{Long-term debt} / (\text{Long-term debt} + \text{Total Equity (Net assets)}) \times 100)$.

For the entity (applicant and/or parent company) that is funding the proposed project please provide the capitalization ratio using the most recent year available from the funding entity's audited balance sheet, if applicable. The Capitalization Ratios are not expected from outside the company lenders that provide funding.

The Capitalization Ratio is as follows:

Per the 12-31-16 audited financial statements

Long Term Debt \$2,327,519

Members Equity (\$17,772)

Capitalization Ratio

2,327,519 divided by (2,327,519-17,772) times 100 = 100

- G. Discuss the project's participation in state and federal revenue programs including a description of the extent to which Medicare, TennCare/Medicaid and medically indigent patients will be served by the project. Additionally, report the estimated gross operating revenue dollar amount and percentage of projected gross operating revenue anticipated by payor classification for the first year of the project by completing the table below.

Historical:

Payor Source	Projected Gross Operating Revenue	As a % of Total
Medicare/Medicare Managed Care	927,194.38	19.0%
TennCare/Medicaid	3,655,221.09	74.4%
Commercial/Other Managed Care		
Self-Pay	325,847.67	6.6%
Charity Care		
Other (Specify)	1602.45	<.01%
Total	4,909,865.59	100.0%

Facility Projected Yr1

Payor Source	Projected Gross Operating Revenue	As a % of Total
Medicare/Medicare Managed Care	1,890,777	30.8%
TennCare/Medicaid	3,945,209	64.2%
Commercial/Other Managed Care		
Self-Pay	290,740	4.7%
Charity Care		
Other (Specify)	18,313	.3%
Total	6,145,039	100.0%

Project Only Yr 1

Payor Source	Projected Gross Operating Revenue	As a % of Total
Medicare/Medicare Managed Care	842,808	80.1%
TennCare/Medicaid	207,762	19.7%
Commercial/Other Managed Care		
Self-Pay		
Charity Care		
Other (Specify)	2,295	.2%
Total	1,052,865	100.0%

- H. Provide the projected staffing for the project in Year 1 and compare to the current staffing for the most recent 12-month period, as appropriate. This can be reported using full-time equivalent (FTEs) positions for these positions. Additionally, please identify projected salary amounts by position classifications and compare the clinical staff salaries to prevailing wage patterns in the proposed service area as published by the Department of Labor & Workforce Development and/or other documented sources.

Position Classification	Existing FTE 2016	Projected FTE (Year 1)	Avg Wage (contractual rate)	Avg Wage Area/State
RN	2.14	2.2	\$ 31.01	\$ 24.69
LPN	10.93	12.0	\$ 16.90	\$ 17.72
CNA	25.24	28.4	\$ 9.70	\$ 10.93
Position 4 (etc.)				
a. Total Direct Care	38.31	42.6	\$ 12.94	\$ 14.71
General Admin	2.25	3.5	\$ 30.01	\$ 31.97
Nursing Admin	3.49	3.5	\$ 32.06	\$ 32.97
Dietary	7.44	10.0	\$ 12.25	\$ 10.35
Maint., etc.	13.75	17.0	\$ 13.21	\$ 13.96
b. Total Non-Direct	26.93	34.0	\$ 16.79	\$ 19.85
Contracted Therapy	1.95	3.5	\$ 66.70	\$ 33.31
Contracted Med Dir/Diet.	.147	.15	\$ 73.85	\$ 55.55
c. Total Contractual	2.10	3.65	\$ 69.14	\$ 34.76
Total Staff (a + b + c)	67.34	80.25	\$ 14.22	\$ 15.83

NOTE: The Direct Care positions should be self-evident.

The Non-direct Care positions include the following:

General Admin includes Administrator, Business Office Manager and reception/assistants;

Nursing Admin includes Director of Nursing, Assistant DON, and MDS staff;

Dietary includes supervisor, cooks and servers; and

Maint., etc. includes maintenance, housekeeping, laundry, medical records, social services, activities, marketing and human resources.

The final positions include:

Contracted Therapy includes the physical, occupational and speech therapists; and

Contracted Med Dir/Diet includes the contracted Medical Director and the registered Dietician.

I. Describe all alternatives to this project which were considered and discuss the advantages and disadvantages of each alternative including but not limited to:

- 1) Discuss the availability of less costly, more effective and/or more efficient alternative methods of providing the benefits intended by the proposal. If development of such alternatives is not practicable, justify why not, including reasons as to why they were rejected.

First, doing nothing is always an alternative, but was discarded since our high utilization indicates a need for a relatively few more beds. Second, the construction of a new facility was discarded as such would be cost-prohibitive. Finally, since this project involves the construction of a small addition to our existing facility, we briefly considered placing the addition at another location on our property, but that alternative was discarded due to the increased cost of construction inherent with the layout of our property.

- 2) Document that consideration has been given to alternatives to new construction, e.g., modernization or sharing arrangements.

First, doing nothing is always an alternative, but was discarded since our high utilization indicates a need for a relatively few more beds. Second, the construction of a new facility was discarded as such would be cost-prohibitive. Finally, since this project involves the construction of a small addition to our existing facility, we briefly considered placing the addition at another location on our property, but that alternative was discarded due to the increased cost of construction inherent with the layout of our property.

SECTION B: CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE

- A. List all existing health care providers (i.e., hospitals, nursing homes, home care organizations, etc.), managed care organizations, alliances, and/or networks with which the applicant currently has or plans to have contractual and/or working relationships, that may directly or indirectly apply to the project, such as, transfer agreements, contractual agreements for health services.

Cookeville Regional Medical Center
Cumberland River Hospital
Erlanger Health System
Livingston Regional Hospital
Monroe County Medical Center
St. Thomas Hospital
Vanderbilt University Medical Center

- B. Describe the effects of competition and/or duplication of the proposal on the health care system, including the impact to consumers and existing providers in the service area. Discuss any instances of competition and/or duplication arising from your proposal including a description of the effect the proposal will have on the utilization rates of existing providers in the service area of the project.

1) Positive Effects

Since the Applicant is the only provider of nursing home services in Clay County, there are no competition and/or duplication effects on the health care system. From a positive standpoint, once this application is approved, constructed, and licensed, the Applicant will be in a better position to provide needed services to the residents of Clay County. It is also important to remember that additional patient therapy space will be provided with the approval of this project.

2) Negative Effects

The Applicant also provides nursing home services to a few patients who originate in other counties in Tennessee, as stated earlier in this application. To that extent, nursing homes in other counties might be slightly impacted negatively, as a limited number of patients from other counties have both sought, and been provided nursing home care at our facility. However, any small negative effect that might occur with the nursing homes, themselves, will be more than offset by the fact that patients seeking care at our facility will be more able to receive that care, once the Applicant has these additional beds.

- C. 1) Discuss the availability of and accessibility to human resources required by the proposal, including clinical leadership and adequate professional staff, as per the State of Tennessee licensing requirements and/or requirements of accrediting agencies, such as the Joint Commission and Commission on Accreditation of Rehabilitation Facilities.

The additional direct care staff (less than 5 FTEs) will be hired locally, as will the non-direct care staff (about 7 FTEs).

- 2) Verify that the applicant has reviewed and understands all licensing and/or certification as required by the State of Tennessee and/or accrediting agencies such as the Joint Commission for medical/clinical staff. These include, without limitation, regulations concerning clinical leadership, physician supervision, quality assurance policies and programs, utilization review policies and programs, record keeping, clinical staffing requirements, and staff education.

The Applicant understands these standards.

- 3) Discuss the applicant's participation in the training of students in the areas of medicine, nursing, social work, etc. (e.g., internships, residencies, etc.).

The Applicant does not participate in such programs, but only due to distance from training schools.

D. Identify the type of licensure and certification requirements applicable and verify the applicant has reviewed and understands them. Discuss any additional requirements, if applicable. Provide the name of the entity from which the applicant has received or will receive licensure, certification, and/or accreditation.

Licensure: Tennessee Department of Health

Certification Type (e.g. Medicare SNF, Medicare LTAC, etc.): Nursing Home, certified in both Medicare and Medicaid/TennCare

Accreditation (i.e., Joint Commission, CARF, etc.):

- 1) If an existing institution, describe the current standing with any licensing, certifying, or accrediting agency. Provide a copy of the current license of the facility and accreditation designation.

The Applicant is an existing nursing home, licensed by the Tennessee Department of Health (#36), and a copy of the license is provided as Attachment B.OrderlyDevelopment.D.1.

- 2) For existing providers, please provide a copy of the most recent statement of deficiencies/plan of correction and document that all deficiencies/findings have been corrected by providing a letter from the appropriate agency.

The Applicant's latest survey and POC are provided as Attachment B.OrderlyDevelopment.D.2.

- 3) Document and explain inspections within the last three survey cycles which have resulted in any of the following state, federal, or accrediting body actions: suspension of admissions, civil monetary penalties, notice of 23-day or 90-day termination proceedings from Medicare/Medicaid/TennCare, revocation/denial of accreditation, or other similar actions.

- a) Discuss what measures the applicant has or will put in place to avoid similar findings in the future.

Not applicable.

E. Respond to all of the following and for such occurrences, identify, explain and provide documentation:

1) Has any of the following:

- a) Any person(s) or entity with more than 5% ownership (direct or indirect) in the applicant (to include any entity in the chain of ownership for applicant);

No.

- b) Any entity in which any person(s) or entity with more than 5% ownership (direct or indirect) in the applicant (to include any entity in the chain of ownership for applicant) has an ownership interest of more than 5%; and/or

No.

- c) Any physician or other provider of health care, or administrator employed by any entity in which any person(s) or entity with more than 5% ownership in the applicant (to include any entity in the chain of ownership for applicant) has an ownership interest of more than 5%.

No.

2) Been subjected to any of the following:

- a) Final Order or Judgment in a state licensure action;

No.

- b) Criminal fines in cases involving a Federal or State health care offense;

No.

- c) Civil monetary penalties in cases involving a Federal or State health care offense;

No.

- d) Administrative monetary penalties in cases involving a Federal or State health care offense;

No.

- e) Agreement to pay civil or administrative monetary penalties to the federal government or any state in cases involving claims related to the provision of health care items and services; and/or

No.

- f) Suspension or termination of participation in Medicare or Medicaid/TennCare programs.

No.

- g) Is presently subject of/to an investigation, regulatory action, or party in any civil or criminal action of which you are aware.

No.

- h) Is presently subject to a corporate integrity agreement.

No.

F. Outstanding Projects:

- 1) Complete the following chart by entering information for each applicable outstanding CON by applicant or share common ownership; and

<u>Outstanding Projects</u>					
<u>CON Number</u>	<u>Project Name</u>	<u>Date Approved</u>	<u>*Annual Progress Report(s)</u>		<u>Expiration Date</u>
			<u>Due Date</u>	<u>Date Filed</u>	

* Annual Progress Reports – HSDA Rules require that an Annual Progress Report (APR) be submitted each year. The APR is due annually until the Final Project Report (FPR) is submitted (FPR is due within 90 ninety days of the completion and/or implementation of the project). Brief progress status updates are requested as needed. The project remains outstanding until the FPR is received.

- 2) Provide a brief description of the current progress, and status of each applicable outstanding CON.

There are no outstanding projects.

G. Equipment Registry – For the applicant and all entities in common ownership with the applicant.

- 1) Do you own, lease, operate, and/or contract with a mobile vendor for a Computed Tomography scanner (CT), Linear Accelerator, Magnetic Resonance Imaging (MRI), and/or Positron Emission Tomographer (PET)? _____
- 2) If yes, have you submitted their registration to HSDA? If you have, what was the date of submission? _____
- 3) If yes, have you submitted your utilization to Health Services and Development Agency? If you have, what was the date of submission? _____

The Applicant does not own equipment as contemplated by the above questions.

SECTION B: QUALITY MEASURES

Please verify that the applicant will report annually using forms prescribed by the Agency concerning continued need and appropriate quality measures as determined by the Agency pertaining to the certificate of need, if approved.

The Applicant will report annually using forms prescribed by the Agency concerning continued need and appropriate quality measures as determined by the Agency pertaining to the certificate of need, if approved.

SECTION C: STATE HEALTH PLAN QUESTIONS

T.C.A. §68-11-1625 requires the Tennessee Department of Health's Division of Health Planning to develop and annually update the State Health Plan (found at <http://www.tn.gov/health/topic/health-planning>). The State Health Plan guides the State in the development of health care programs and policies and in the allocation of health care resources in the State, including the Certificate of Need program. The 5 Principles for Achieving Better Health are from the State Health Plan's framework and inform the Certificate of Need program and its standards and criteria.

Discuss how the proposed project will relate to the 5 Principles for Achieving Better Health found in the State Health Plan.

A. The purpose of the State Health Plan is to improve the health of the people of Tennessee.

The Applicant provides inpatient nursing home care (and other needed services) to an area that has no other nursing home providers. According to the state formula, there continues to be a need for additional nursing home beds in the county. The Applicant is requesting only 12 additional dually-certified beds to add to its existing 66 dually-certified facility. The high utilization (97.3%) of the Applicant's facility warrants a relatively few additional beds for our patients.

The Applicant's goal of continuing to provide these appropriate and needed services is consistent with the State Health Plan, and this project will improve the health of Tennesseans.

B. People in Tennessee should have access to health care and the conditions to achieve optimal health.

The Applicant will continue to provide a service currently not provided by other facilities in the service area, thereby increasing reasonable access to this type of health care for all citizens in the service area.

C. Health resources in Tennessee, including health care, should be developed to address the health of people in Tennessee while encouraging economic efficiencies.

The development of services by the Applicant has always been the result of attempts to meet the needs of the Tennesseans it serves. There is an unmet need for inpatient nursing care in the service area. There currently exist only 66 nursing home beds, and the state chart shows a need of 88 beds by 2019. The Applicant is asking for only 12 beds. Further, there is an increased need for physical therapy space in the service area. Therefore, the approval of this application will enhance the "development" of inpatient nursing home services and inpatient therapy space for nursing home residents in the proposed service area.

D. People in Tennessee should have confidence that the quality of health care is continually monitored and standards are adhered to by providers.

Tennessee is fortunate to have an excellent licensing division of the Department of Health. The Board of Licensing Health Care Facilities provides standards for and monitoring of licensed health care providers. This Applicant will continue to be licensed by the Department of Health and will be certified by Medicare, and Medicaid (TennCare).

- E. The state should support the development, recruitment, and retention of a sufficient and quality health workforce.

The Applicant is committed to providing its staff both safe working conditions and continuing education.

PROOF OF PUBLICATION

Attach the full page of the newspaper in which the notice of intent appeared with the mast and dateline intact or submit a publication affidavit from the newspaper that includes a copy of the publication as proof of the publication of the letter of intent.

Proof is attached, or if not, will be supplied as soon as it is received by the contact.

NOTIFICATION REQUIREMENTS

(Applies only to Nonresidential Substitution-Based Treatment Centers for Opiate Addiction)

Note that T.C.A. §68-11-1607(c)(9)(A) states that "...Within ten (10) days of the filing of an application for a nonresidential substitution-based treatment center for opiate addiction with the agency, the applicant shall send a notice to the county mayor of the county in which the facility is proposed to be located, the state representative and senator representing the house district and senate district in which the facility is proposed to be located, and to the mayor of the municipality, if the facility is proposed to be located within the corporate boundaries of a municipality, by certified mail, return receipt requested, informing such officials that an application for a nonresidential substitution-based treatment center for opiate addiction has been filed with the agency by the applicant."

Failure to provide the notifications described above within the required statutory timeframe will result in the voiding of the CON application.

Please provide documentation of these notifications.

DEVELOPMENT SCHEDULE

T.C.A. §68-11-1609(c) provides that a Certificate of Need is valid for a period not to exceed three (3) years (for hospital projects) or two (2) years (for all other projects) from the date of its issuance and after such time shall expire; provided, that the Agency may, in granting the Certificate of Need, allow longer periods of validity for Certificates of Need for good cause shown. Subsequent to granting the Certificate of Need, the Agency may extend a Certificate of Need for a period upon application and good cause shown, accompanied by a non-refundable reasonable filing fee, as prescribed by rule. A Certificate of Need which has been extended shall expire at the end of the extended time period. The decision whether to grant such an extension is within the sole discretion of the Agency, and is not subject to review, reconsideration, or appeal.

- 1. Complete the Project Completion Forecast Chart on the next page. If the project will be completed in multiple phases, please identify the anticipated completion date for each phase.**
- 2. If the response to the preceding question *indicates that the applicant does not anticipate completing the project within the period of validity as defined in the preceding paragraph*, please state below any request for an extended schedule and document the "good cause" for such an extension.**

PROJECT COMPLETION FORECAST CHART

Assuming the Certificate of Need (CON) approval becomes the final HSDA action on the date listed in Item 1 below, indicate the number of days from the HSDA decision date to each phase of the completion forecast.

<u>Phase</u>	<u>Days Required</u>	<u>Anticipated Date [Month/Year]</u>
1. Initial HSDA decision date		12/2017
2. Architectural and engineering contract signed	60	12/2017
3. Construction documents approved by the Tennessee Department of Health	60	02/2018
4. Construction contract signed	60	04/2018
5. Building permit secured	30	05/2018
6. Site preparation completed	90	08/2018
7. Building construction commenced	30	09/2018
8. Construction 40% complete	30	10/2018
9. Construction 80% complete	60	12/2018
10. Construction 100% complete (approved for occupancy)	60	02/2019
11. *Issuance of License	60	04/2019
12. *Issuance of Service	30	-5/2019
13. Final Architectural Certification of Payment	30	06/2019
14. Final Project Report Form submitted (Form HR0055)	30	07/2019

*For projects that **DO NOT** involve construction or renovation, complete Items 11 & 12 only.

NOTE: If litigation occurs, the completion forecast will be adjusted at the time of the final determination to reflect the actual issue date

AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF DAVIDSON

E. Graham Baker, Jr., being first duly sworn, says that he/she is the applicant named in this application or his/her/its lawful agent, that this project will be completed in accordance with the application, that the applicant has read the directions to this application, the Rules of the Health Services and Development Agency, and T.C.A. §68-11-1601, *et seq.*, and that the responses to this application or any other questions deemed appropriate by the Health Services and Development Agency are true and complete to the best of his knowledge, information and belief.


SIGNATURE/TITLE

Sworn to and subscribed before me this 10th day of August, 2017
(Month) (Year)

a Notary Public in and for the County/State of Davidson/Tennessee.


NOTARY PUBLIC

My commission expires March 3, 2020.
Month/Day (Year)



Ambulatory Surgical Treatment Center Construction Cost Per Square Foot**Years: 2014 – 2016***Due to insufficient sample size, Construction ranges are not available.***Hospital Construction Cost Per Square Foot****Years: 2014 – 2016**

	Renovated Construction	New Construction	Total Construction
1st Quartile	\$160.66/sq ft	\$260.18/sq ft	\$208.97/sq ft
Median	\$218.86/sq ft	\$289.85/sq ft	\$274.51/sq ft
3rd Quartile	\$287.95/sq ft	\$395.94/sq ft	\$330.50/sq ft

*Source: CON approved applications for years 2014 through 2016***Nursing Home Construction Cost Per Square Foot****Years: 2014 – 2016**

	Renovated Construction	New Construction	Total Construction
1st Quartile	\$6.51/sq ft	\$174.53/sq ft	\$90.46/sq ft
Median	\$58.39/sq ft	\$181.72/sq ft	\$158.75/sq ft
3rd Quartile	\$90.46/sq ft	\$188.39/sq ft	\$181.72/sq ft

*Source: CON approved applications for years 2014 through 2016***Outpatient Diagnostic Center Construction Cost Per Square Foot****Years: 2014 – 2016***Due to insufficient sample size, Construction ranges are not available.**As of 5/15/2017*

ANDERSON & BAKER

An Association of Attorneys

2021 RICHARD JONES ROAD, SUITE 120
NASHVILLE, TENNESSEE 37215-2874

Attachment A.3.C

ROBERT A. ANDERSON
Direct: 615-383-3332
Facsimile: 615-383-3480

E. GRAHAM BAKER, JR.
Direct: 615-370-3380
Facsimile: 615-221-0080

August 10, 2017

Melanie Hill, Executive Director
Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243


Re: Celina Health and Rehabilitation Center
Request to be placed on Consent Calendar

Dear Ms. Hill:

I represent the referenced nursing home, am filing a Certificate of Need application today for the addition of twelve (12) nursing home beds to be allocated from the statutory pool of beds authorized at T.C.A. §68-11-1622, and respective request this application be placed on the Consent Calendar. The rationale for this request includes the following: (1) the Applicant's facility operated at 97.3% in its most recent reporting period, indicating need for the requested beds; (2) the project is economically feasible and is the most cost-efficient manner in which to provide the needed additional beds; (3) the facility maintains high quality standards and will continue to do so; and (4) as there are no other nursing homes in the primary service area of Clay County which could provide needed beds, this application, if approved, will contribute to the orderly development of health care in the area. In addition, the state law anticipates that existing nursing homes may need to add a few beds on occasion, as evidenced by T.C.A. §68-11-1622.

Please contact me if you have need for further information in this regard.

Respectfully,


E. Graham Baker, Jr.



Tre Hargett
Secretary of State

Division of Business Services
Department of State
State of Tennessee
312 Rosa L. Parks AVE, 6th FL
Nashville, TN 37243-1102

Filing Information

Name: **INTEGRITY HEALTHCARE OF CELINA, LLC**

General Information

SOS Control #	000513818	Formation Locale: TENNESSEE
Filing Type:	Limited Liability Company - Domestic	Date Formed: 02/16/2006
	02/16/2006 9:09 AM	Fiscal Year Close 12
Status:	Active	Member Count: 1
Duration Term:	Perpetual	
Managed By:	Member Managed	

Registered Agent Address

NATIONAL REGISTERED AGENTS, INC.
STE 2021
800 S GAY ST
KNOXVILLE, TN 37929-9710

Principal Address

STE 200
801 BROAD ST
CHATTANOOGA, TN 37402-2631

The following document(s) was/were filed in this office on the date(s) indicated below:

<u>Date Filed</u>	<u>Filing Description</u>	<u>Image #</u>
03/09/2017	2016 Annual Report	B0359-5951
08/02/2016	2015 Annual Report	B0277-9697
	Principal Address 1 Changed From: 7201 SHALLOWFORD RD To: 801 BROAD ST	
	Principal Postal Code Changed From: 37421-2780 To: 37402-2631	
06/01/2016	Notice of Determination	B0257-1990
04/01/2015	2014 Annual Report	B0083-0020
03/26/2014	2013 Annual Report	A0226-2529
03/25/2013	2012 Annual Report	A0165-2580
02/06/2013	Registered Agent Change (by Agent)	7142-1640
	Registered Agent Physical Address 1 Changed From: 2300 HILLSBORO RD To: 800 S GAY ST	
	Registered Agent Physical Address 2 Changed From: STE 305 To: STE 2021	
	Registered Agent Physical City Changed From: NASHVILLE To: KNOXVILLE	
	Registered Agent Physical County Changed From: DAVIDSON COUNTY To: KNOX COUNTY	
	Registered Agent Physical Postal Code Changed From: 37212-4927 To: 37929-9710	
03/09/2012	2011 Annual Report	A0107-2011
	Principal Address 2 Changed From: SUITE 200 To: STE 200	

Filing Information

Name: **INTEGRITY HEALTHCARE OF CELINA, LLC**

Principal Postal Code Changed From: 37421 To: 37421-2780

Principal County Changed From: No value To: HAMILTON COUNTY

04/04/2011 2010 Annual Report

A0068-2852

04/22/2010 2009 Annual Report

A0019-1482

Managed By Changed From: Director Managed To: Member Managed

04/15/2010 Assumed Name

6705-2991

New Assumed Name Changed From: No Value To: Celina Health and Rehabilitation Center

04/01/2010 Articles of Amendment

6696-1561

05/19/2009 2008 Annual Report

6538-3007

11/20/2008 Registered Agent Change (by Agent)

6893-2556

Registered Agent Physical Address Changed

07/24/2008 2007 Annual Report

6353-0512

06/17/2008 Notice of Determination

ROLL 6325

03/27/2007 2006 Annual Report

6004-0617

06/08/2006 Registered Agent Change (by Entity)

5804-0882

Registered Agent Physical Address Changed

Registered Agent Changed

02/16/2006 Initial Filing

5689-0750

Active Assumed Names (if any)

Date

Expires

MANAGEMENT AGREEMENT

This MANAGEMENT AGREEMENT ("Agreement") is made and entered into effective as of the 1st day of January, 2010, by and between Integrity Healthcare of Celina, LLC, a Tennessee limited liability company, ("Owner") and Grace Healthcare, LLC, a Delaware limited liability company, having an office at 7201 Shallowford Road, Suite 200, Chattanooga, TN 37421 ("Manager").

WITNESSETH

WHEREAS, Owner operates a 66 bed skilled nursing facility located in Celina Tennessee, commonly known as "Clay County Manor," and desires to contract with Manager to provide management services at such facility; and

WHEREAS, Owner desires to engage Manager as Owner's special agent to the Project (as defined below), subject to the terms and provisions of this Agreement and Manager agrees to perform the services provided for herein.

NOW, THEREFORE, for and in consideration of the mutual covenants herein contained and for other good and valuable considerations, the parties hereto agree as follows.

ARTICLE I

DEFINITIONS

When used in this Agreement, the following words or terms shall have the following definitions:

1.1 "Approved Budget" shall have the meaning given in Section 3.1.

1.2 "Basic Services" shall have the meaning given in Section 4.1.

1.3 "Budget" means a forecast of Project Income and Project Expenses, including a budget for capital expenditures to be made relative to the Project pursuant to this Agreement for the Fiscal Year to which such Budget relates.

1.4 "Due Date" shall have the meaning given in Section 4.1(f).

1.5 "Emergency Services" shall have the meaning given in Section 4.3.

1.6 "Existing Uses" shall mean all present uses of the Facility, including skilled nursing facility, and all ancillary services in connection therewith.

1.7 "Expiration Date" means the date this Agreement terminates pursuant to its terms.

1.8 "Extraordinary Services" shall have the meaning given in Section 4.2.

1.9 "Facility" shall have the meaning given in the recitals.

1.10 "Final Notice" shall have the meaning given in Section 8.3.

1.11 "Fiscal Year" means a year, commencing January 1, and ending December 31 except that the first Fiscal Year shall be that period commencing on the Commencement Date and ending on the next succeeding December 31.

1.12 "Improvements" means the Facility and all other structural improvements situated on the Land.

1.13 "Interest Rate" means the rate of interest equal to the lesser of (i) the maximum rate of interest not prohibited by applicable law; or (ii) from time to time that per annum rate of interest equal to two and one-half percent (2 1/2%) per annum more than the rate of interest announced as the prime rate from time to time for the same period by, Bank of America, N. A. (or any successor thereto by purchase, merger, or other reorganization).

1.14 "Land" means the tract of land upon which the Facility is located.

1.15 "Manager" shall have the meaning given in the recitals.

1.16 "Manager Affiliate" means any entity in which Manager owns and controls not less than fifty percent (50%) of the voting securities or equity interest.

1.17 "Management Office" shall have the meaning given in Section 2.4.

1.18 "Operating Plan" means an operating plan setting forth in reasonable detail the services presumed necessary or desirable during a given Fiscal Year for the operation and maintenance of the Project for the Existing Uses including the Basic Services (as defined in Section 4.1 below), schedules setting forth job descriptions and standards, Salaries and Benefit which constitute Project Operating Expenses, a marketing plan for the Project, and an insurance program for the Project.

1.19 "Owner" shall have the meaning given in the recitals.

1.20 "Owner Affiliate" means (i) any person, firm, corporation, or other entity, which controls, is controlled by, or is under common control with Owner, directly or indirectly, or (ii) any partnership, venture, trust, or similar entity in which Owner is a general partner, a managing general partner, a managing venturer, trustee, or otherwise holds a management position, or (iii) any successor of Owner by change of name, merger, acquisition, consolidation, dissolution and distribution of assets, bulk transfer of assets, or similar reorganization action.

1.21 "Residents" means the residents or patients of the Facility.

1.22 "Payments to Manager" means the Management Fee and Incentive Fees provided for in Section 7.

1.23 "Project" means the Land, Facility and all Improvements.

1.24 "Project Expenses" means all expenses, costs, and charges of every kind and nature incurred pursuant to an Approved Budget or any other provision of this Agreement expressly permitting the incurrence of such expense, cost, or charge as a Project Expense, or pursuant to any specific written instructions or directives given by Owner to Manager pursuant to the provisions of this Agreement, in connection with the operation and maintenance of the Project, for or in respect of a Fiscal Year (including, without limitation, Project Operating Expenses and those expenses, costs, and charges incurred in the performance of Extraordinary Services and any Emergency Services).

1.25 "Project Income" means, with respect to a specific period of time, the revenues actually received from all sources in connection with the operation of the Project during such period of time Project Income shall not include or mean (i) interest or investment income of Owner, (ii) capital contributions of Owner, (iii) insurance proceeds (however, business interruption insurance proceeds shall be included in "Project Income"), (iv) tax refunds, (v) condemnation proceeds or awards, and (vi) amounts collected from the Residents as security deposits, if any, except to the extent those security deposits are actually applied against the payments owed to the Facility.

1.26 "Salaries and Benefits" means salary, wages, bonuses, and other direct compensation, group life, accident, disability, medical and health insurance, pension plans, social security payments, payroll and other employee taxes, worker's compensation payments, employer's contribution to FICA, unemployment compensation, and similar so-called fringe benefits.

1.27 "Service Contracts" shall have the meaning given in Section 4.1 (c).

1.28 "Subcontracts" and "Subcontractors" shall have the meaning given in Section 2.5.

1.29 "Subcontractor Default" shall have the meaning given in Section 2.5.

When used in this Agreement, the words and terms for which definitions are specified in the introductory paragraph of this Agreement and in the further Articles of this Agreement shall have the definitions respectively therein ascribed to them.

ARTICLE II

RELATIONSHIP OF PARTIES

2.1 Grant of Authority. Owner hereby grants Manager, as agent of Owner, the general authority to manage, direct, and supervise the Project on behalf of Owner and to provide the services set forth in this Agreement. Manager hereby accepts such appointment and, subject to the terms of this Agreement, shall have the right and authority to perform the services and take the actions described in this Agreement. Notwithstanding anything herein to the contrary, Owner shall have all the requisite power and authority to operate the Facility as shall be required by the State of Tennessee at the minimum level of power and authority to be possessed by the licensed operator of a healthcare facility of the type of Facility in the State of Tennessee.

2.2 Relationship. All actions by Manager in performing its duties and providing services pursuant to this Agreement shall be as Owner's agent and on behalf of Owner. Owner agrees to indemnify Manager, its parent, subsidiaries, affiliates, directors, officers and employees and hold them harmless from and against any and all claims, suits and judgments for property damage, bodily injuries and/or deaths caused by any act or omission of the Owner and against and from the expense of defending such claims and suits, including court costs, attorneys' fees and all other legal expenses. Manager agrees to indemnify the Owner, its parent, subsidiaries, affiliates, directors, officers and employees and hold them harmless from and against all claims, suits, and judgments for property damage, bodily injuries and/or deaths caused by any act or omission of Manager, its agents and employees, and against and from the expense of defending such claims and suits, including court costs, attorney's fees and all other legal expenses.

2.3 Other Activities. Manager and Manager Affiliates may engage in or possess an interest in other business ventures of every nature and description and in any vicinity whatsoever, including, without limitation, the ownership, operation, management, and development of nursing homes, retirement homes, assisted living facilities or other real property, and pharmacy, physical and speech therapy, home health, adult day care and any other senior service, and Owner shall have no rights in or to such independent ventures or to any profits therefrom. Any such activities may be undertaken with or without notice to or participation therein by Owner, and Owner hereby waives any rights or claims that it may have against Manager and Manager Affiliates with respect to the income or profit therefrom or the effect of such activity on the Project. Nothing contained herein shall obligate any agent, officer, director, shareholder, or partner of Manager or Manager Affiliates to devote all or any particular portion of such party's time or efforts to the Project.

2.4 Management Office. Owner shall provide, at Owner's expense, office space for the management staff (the "Management Office") within the Facility in a location designated for office space. Owner may relocate the Management office and such additional space from time to time, subject to the requirements of this Section 2.4.

2.5 Manager's Liability. Owner acknowledges that Manager will enter subcontracts ("Subcontracts") with others ("Subcontractors") providing for the performance of certain services to be provided under this Agreement, and that Manager's remedies, in the event a Subcontractor fails to perform such services, is negligent, engages in misconduct or defaults under the Subcontract (in any such case "Subcontractor Default"), will be governed by the Subcontract and

by applicable law. Owner agrees, for the purposes of this Agreement, that if Manager, as soon as reasonably practicable after the occurrence of a Subcontractor Default, commences and thereafter pursues with all due diligence Manager's remedies against such Subcontractor and, pending efforts by Manager to enforce Manager's remedies against such Subcontractor, either performs itself the services covered by the Subcontract or engages another Subcontractor for such purpose, then Manager shall not be in default under the terms of this Agreement by reason of such Subcontractor Default.

Notwithstanding any other provision of this Agreement, and unless such act or omission constitutes negligence, misconduct, or a default by Manager, its officers, employees, or agents (and for the purposes of this Section 2.5 the term "employees or agents" of Manager shall not include Subcontractors unless same are Manager Affiliates), under the terms of this Agreement, neither Manager nor its officers, directors, shareholders, constituent partners, employees, or agents shall ever be liable for any act or omission, negligent, tortious or otherwise, of a Subcontractor or any agent or employee of a Subcontractor, or its subsidiaries or affiliates, for any amount of damage, or any other monetary obligation whatsoever, which is in excess of the amount of cash proceeds actually recovered under the policies of liability insurance required to be maintained pursuant to the terms of Section 5.2 of this Agreement, and under no circumstances whatsoever shall Manager, under any theory of action or recovery, ever be liable for or obliged to pay or to satisfy any judgment for, any damages or other monetary obligation whatsoever, that is in excess of the amount of such cash proceeds. Notwithstanding any of the provisions of this Agreement, in no event shall Owner make any claim against Manager, or its affiliates or subsidiaries, on account of any alleged errors in judgment made in good faith in connection with the operation of the Project by Manager or the performance of any advisory or technical services provided by or arranged by Manager.

In the event of an act of negligence, misconduct, or a default by Manager, its officers, employees, or agents under this Agreement, then Owner shall have all recourse and remedies as may be available under the terms of this Agreement and at law or in equity.

2.6 Exculpation of Owner for Subcontractor Defaults. Notwithstanding any other provision of this Agreement, and unless such act or omission constitutes negligence, willful misconduct, or a default by Owner, its officers, employees, or agents (and for the purposes of this Section 2.6, the terms "employees or agents" of Owner shall not include Subcontractors) under the terms of this Agreement, neither Owner nor its officers, directors, shareholders, constituent partners, employees, or agents shall ever be liable for any act or omission, negligent, tortious or otherwise, of a Subcontractor or any agent or employee of a Subcontractor or its subsidiaries or affiliates for any amount which is in excess of the amount of cash proceeds actually recovered under the policies of liability insurance provided to be maintained by Owner pursuant to the terms of Section 5.1 of the Agreement, and under no circumstances whatsoever shall Owner, under any theory of action or recovery, ever be liable for or obligated to pay, or to satisfy any judgment for, any damages or other monetary obligation whatsoever, that is in excess of the amount of such cash proceeds.

ARTICLE III

BUDGET

3.1 Approval of Budget. As soon as reasonable and practical for Manager prior to the end of each Fiscal Year, but in no event later than December 1, Manager shall prepare and deliver to Owner, in a form reasonably satisfactory to Owner, a proposed Budget for the next Fiscal Year. When approved pursuant to this Article III, such Budget shall be an "Approved Budget."

Owner shall give its approval or its disapproval of the proposed budget no later than thirty (30) days after receipt with respect to each Fiscal Year.

If Owner does not approve or disapprove the proposed Budget within such thirty-(30) day period, then Owner shall be deemed to have approved the Budget. If Owner objects to all or any portion of the proposed Budget, Owner shall furnish Manager with the reasons for its objections, and Owner and Manager shall attempt to agree in respect to the items to which Owner objects, and if such agreement is not reached before the beginning of the applicable Fiscal Year, and without reference to whether more than one Fiscal Year shall lapse, then the Project shall be operated under a Budget (which for purposes of this Agreement shall be considered to be an Approved Budget) which is the same as the last Approved Budget, and Manager shall be authorized to incur expenses necessary for the management and operation of the Project, including but not limited to:

(a) all expenses in the last Approved Budget, plus five percent (5%) above an amount equal to the sum of (i) the annualized level (the "Base Level") of all such other expenses during the last three (3) months of the preceding Fiscal Year for which there was an Approved Budget, plus (ii) five percent (5%) of such Base Level for the second Fiscal Year during which the Project is operated under such Budget not approved by Owner and an annually compounded five percent (5%) of such Base Level for each subsequent Fiscal Year during which the Project is operated under such Budget not approved by Owner.

3.2 Approved Budget. An Approved Budget shall constitute an authorization by Manager to spend money to operate and manage the Project pursuant to such Approved Budget, and Manager may do so without further approval. Owner acknowledges that, notwithstanding Manager's experience in relation to the management of similar developments, the projections contained in the Budget submitted at the commencement of each Fiscal Year are subject to and may be affected by changes in financial, economic, and other conditions and circumstances beyond Manager's control and the Budget shall be adjusted to take into account such changes. Any variances in the results of actual operations from those contemplated in the Budget shall be set forth in a quarterly report from Manager to Owner.

3.3 Expenditures for Capital Items. The Approved Budget shall constitute an authorization for Manager to make the capital expenditures contemplated thereby. If during any Fiscal Year Manager believes the purchase or installation of new or replacement equipment or other capital items not contemplated by the Approved Budget is necessary or desirable, Manager

shall advise Owner thereof, but shall cause such items to be purchased and installed only after obtaining the prior authorization of Owner if the expenditures exceeds a cost of \$10,000 within a 30 day period.

3.4 Rates. Manager and Owner recognize the importance of maintaining room and other rates which enable the Project to pay its obligations but minimize the cost of health care. From time to time, Manager will recommend to Owner, for approval, rate structures which take into account the financial obligations of the Project and the level of rates at other comparable facilities nearby.

ARTICLE IV

SERVICES

4.1 Basic Services. As basic services (the "Basic Services") outlined in Exhibit A, Manager shall:

(a) Patient Relations. Operate the Project in compliance with the terms and conditions of this Agreement and administer a patient relations program, which maintains a high visibility of management presence.

(b) Personnel. Provide an administrator licensed in the state in which the Project is located for the day-to-day administration of the Project. The administrator shall be an employee of and compensated by Owner. All other employees of the Project shall also be employees of Owner and not employees of Manager. All matters pertaining to the employment, supervision, compensation, promotion and discharges of such employees are the right and responsibility of Manager, and Owner shall have no right to supervise or direct such employees. The Salaries and Benefits of such employees and the number of such employees to be employed on-site at the Project shall be part of the budget (and thus subject to approval by Owner), but each Approved Budget shall include and provide for sufficient funds to enable Manager to pay competitive Salaries and Benefits so as to attract and retain a sufficient number of capable employees to enable Manager to operate and maintain the Project to the standard herein provided.

(c) Service Contracts. Enter into or renew, in the name of Owner contracts (collectively, and including Subcontracts as defined in Section 2.5 hereof, referred to as "Service Contracts") for electricity, gas, water, telephone, cleaning, fuel oil, elevator maintenance, vermin extermination, trash removal, linen service, and other services in the ordinary course of the operation of the Project, purchase all supplies and equipment necessary to maintain and so operate the Project and credit to Owner any discounts, rebates, or commissions obtained for purchases or otherwise. Owner need not approve any new Service Contract that provides for termination by Owner (without the payment of premium or penalty) upon thirty (30) days' written notice.

(d) Maintenance and Repair. Maintain or cause to be maintained the

improvements and grounds of the Project including, without limitation, interior and exterior cleaning, painting and decorating, plumbing, carpentry, and other normal maintenance and repair work.

(e) Collection. Use diligent efforts to request, demand, and collect, for all charges due from Residents and otherwise due Owner with respect to the Project during the term of this Agreement.

(f) Project Expenses Pay all Project Expenses (other than any payments required on lease payments, except as provided below) on or before date due (the "Due Date") after which interest or penalty will begin to accrue thereon, provided, however, that Manager shall contest, if and to the extent appropriate, the payment of any Project Expense (or portion thereof) which Manager has reasonable grounds to believe (on the basis of the facts and information actually known to Manager) should be contested. Reasonable contested expenses shall be included as Project Expenses. Manager shall give Owner reasonable notice, including advance notice if possible, of any such contest. Additionally, at the request of Owner, Manager shall contest the amount or validity of any claimed Project Expense. In any instance in which Manager has contested any Project Expense in accordance with the provisions of this Agreement, or has been requested by Owner to contest any Project Expense, then any interest or penalty which accrues and may thereafter become payable with respect to such Project Expense shall itself be a Project Expense.

If Owner shall so request, Manager shall pay the aggregate amounts required to be paid pursuant to any mortgages or Leases of the Project, including amounts due for interest, amortization of principal, and for reserves or escrow funds. All notices from any mortgagee or Lessor claiming any default in any mortgage or Lease on the Project, and any other notice from any mortgagee or Lessor other than routine notice of payment due, shall be forthwith delivered by Manager to Owner.

(g) Reports. As soon as reasonable and practicable each month, render to Owner a statement of income and expenses showing the results of operation of the Facility for the preceding month and of the Fiscal Year to date. As soon as reasonable and practicable after the end of each Fiscal Year, Manager shall deliver to Owner profit and loss statements showing Project Income, Project Expenses, Payments to Manager, the results of operations for that Fiscal Year, and (provided Manager has sufficient information) a balance sheet of the Project as of the end of that Fiscal Year, prepared on an accrual basis in accordance with generally accepted accounting principles consistently applied. All such monthly reports shall be in the format normally utilized by Manager. Manager shall, upon reasonable notice from Owner, prepare and submit to Owner such other reports, certificates or representations as Owner may reasonably request concerning such matters relating to the Project as are within the scope of Manager's services provided for in this Agreement. If any such additional reports or alternate report formats requested by Owner shall require Manager to engage consultants or other professionals to assist Manager in designing or preparing such report, or shall require Manager's employees (other than on-site employees engaged in performing Manager's services under this Agreement) to expend substantial amounts of additional time designing or preparing such report, then Owner

shall promptly reimburse Manager for the reasonable actual cost to Manager of engaging such consultants or other professionals or of such time expended by Manager's employees.

(h) Records. Maintain, at the address for Manager provided for in Section 10.2 of this Agreement, or such other place or places as Owner may approve in advance, a system of office records, books, and accounts, including, without limitation, copies of all reports filed pursuant to subsection (g) above, and any additional information or records reasonably required by Owner for the preparation of federal, state, and local tax returns, all in a manner reasonably satisfactory to Owner. Owner and others designated by Owner, including Owner's auditors and accountants, shall have, upon reasonable notice to Manager during normal business hours, access to and the right to audit and make copies of such records, accounts, and books, and all vouchers, files and all other material pertaining to the Project and this Agreement, all of which Manager shall keep safe and available to Manager and Owner, and all of which shall be owned by Owner.

(i) Legal Proceedings. Manager shall institute and prosecute in the name and at the expense of Owner such actions and proceedings necessary to effect the purposes, perform the services, and take the actions contemplated by this Agreement, including without limitation, to evict Residents in default; to recover possession of rooms occupied by such Residents; to sue for and recover charges and other damages due from Residents and other persons obligated to Owner or Manager in connection with the Project; to settle, compromise, and release any such actions or suits or reinstate such Residents; and sign and serve in the name of Owner notices and other communications relating to any of the foregoing matters. Manager shall keep Owner advised of all actions filed against Owner or all actions filed by Owner that are beyond the scope of ordinary business operations. Owner shall be responsible for expenses incurred in defending Manager for actions brought against Manager based upon Manager's performance of its duties in connection with operation of the Project.

(j) Process Insurance Claims. If requested by Owner, Manager shall process all claims under any insurance coverage's pertaining to the Project in an expeditious manner, so as to minimize delay in receipt by the Project of the proceeds of such insurance.

(k) Maintenance of Licenses. Assist in obtaining and maintaining all licenses and certifications required for operation of the Project, such as contracts with fiscal intermediaries and agencies and eligibility for participation in state and federal reimbursement programs. All licenses and permits shall be obtained in the name and at the expense of the Owner unless otherwise stipulated pursuant to applicable regulation or unless otherwise agreed between Owner and Manager.

(l) Reimbursement Schedules. Develop price and reimbursement schedules satisfactory to Owner, obtain approval of appropriate price schedules by government agencies and appropriate reimbursement schedules from third-party paying agencies, provide all statistical, financial, and other data necessary to obtain reimbursement from the appropriate agencies; and effect final settlement of all claims for reimbursement.

4.2 Extraordinary Services. Whenever Manager determines that a service or services not included in the basic services required to be rendered pursuant to the Agreement (and not constituting an emergency) is necessary or desirable for the efficient, economic, and profitable operation of the Facility (collectively, the "Extraordinary Services"), Manager shall advise Owner of the need and cost therefore and make recommendations related thereto. Manager shall then perform the Extraordinary Services in accordance with the directions of Owner as to the performance thereof and the amount to be expended therefore. The Extraordinary Services shall include, without limitation, the following:

(a) Major Repairs. Performance and supervision of all major repairs, replacements, and alterations to the Project not covered by the Budget.

(b) Compliance with Legal Requirements. Ensuring compliance with any and all orders or requirements affecting the Project by any federal, state, county, municipal, or other governmental authority having jurisdiction over the project. Manager, however, shall not take any such action as long as Owner is contesting or has notified Manager of its intention to contest (or has otherwise directed Manager to take no action), and promptly institutes proceedings contesting any such order or requirement, except that if failure to comply promptly with any such order or requirement would or might expose Manager to civil or criminal liability, Manager shall cause the same to be complied with.

(c) Tax Abatement and Eminent Domain. Rendering of advice and assistance to Owner in the negotiation or prosecution of all claims for the abatement of property and other taxes affecting the Project and for awards for taking by eminent domain affecting the Project.

(d) General. Performance of any other services, acts, items, or matters relating to or affecting the Project which are or may be desirable or necessary for the efficient, economic, and profitable operation thereof and which are not included within the services required by this Agreement.

4.3 Emergency Services. "Emergency Services" are defined as any and all emergency repairs or services immediately necessary for the preservation and safety of the Project, to avoid the suspension of any substantial and important service to the Project or danger to life or property, or to preserve the use of the Facility for the Existing Uses. Emergency Services may be performed by Manager in its discretion, without Owners prior approval of the performance or amount to be expended therefore, provided, however, Manager shall, if at all possible, give Owner verbal notice of the performance of such service as soon as practical. Thereafter, as soon as practical, Manager shall notify Owner in writing of the details and expenses thereof.

4.4 Expense of Owner. Except as specifically provided herein, all services performed by Manager under this Agreement shall be at the expense of Owner. Notwithstanding any other provision of this Agreement, Manager shall not be obligated to make any advance to or for the account of Owner or to pay any sums, except out of funds held in any account maintained under Article VI, nor shall Manager be obligated to incur any liability or obligation for the account of

Owner without assurance that the necessary funds for the discharge thereof are or shall be available, nor shall Manager be responsible for the failure of the Project to be managed, operated, or maintained to the standard required by this Agreement as a result of Owner's failure to provide funds for the Project.

ARTICLE V

INSURANCE

5.1 Insurance. If requested by Owner, Manager will obtain in Owner's name and at Owner's expense and keep in force (or Owner will obtain and keep in force) during the term of this Agreement:

- (a) Comprehensive General Liability Insurance. The Owner or Manager will obtain and keep in force General Liability Insurance protecting and indemnifying the Owner against claims for injury to or death of persons or damage to or destruction of property occurring upon, in, or about the Project and the adjoining streets (other than streets dedicated to and accepted for maintenance by the public), such insurance to afford immediate protection to the limit of not less than \$100,000 for injury to or death of persons and \$100,000 for damage to or destruction of property, with overlying umbrella liability insurance coverage of not less than \$300,000 as to both injury to or death of persons and damage to or destruction of property, such insurance to be issued on an claims made or occurrence basis and to be endorsed specifically to include within its scope of coverage all liabilities and indemnities for which Owner is obligated and liable under the terms of this Agreement, and with respect to such umbrella liability insurance, coverage shall not provide for a self-insured retention in excess of \$25,000.
- (b) Professional Liability Insurance. The Owner or Manager will obtain and keep in force Professional Liability Insurance to protect against exposure should the entity become legally obligated to pay damages and defense expenses because of an alleged negligent act, error or omission in rendering or failure to render professional services. The policy limit shall be no less than \$100,000 per occurrence, \$300,000 in aggregate. Additional coverage may be required to meet industry and/or state standards. The Owner and Manager shall be listed as named insureds.
- (c) Workers' Compensation and Employer's Liability. The Owner or Manager shall secure and maintain Worker's Compensation Insurance and Employer's Liability Coverage as required by law or regulation, or be allowed to opt out or non-subscribe, as permitted by law or regulation.
- (d) Property Insurance. The Owner or Manager shall secure and maintain property and contents coverage sufficient to cover replacement cost of property and contents. Coverage shall include equipment breakdown coverage in amounts consistent with industry standards and business interruption insurance in a limit at least equal to fixed expenses and gross profits for the period of 12 months. For locations in First Tier coastal counties, insurance must also include windstorm/hail coverage. The Lender shall be

listed as Loss Payee/Mortgagee on such policy.

- (e) Automobile Liability. The Owner or Manager shall secure and maintain Business Auto insurance for owned, non-owned, and hired autos. Policy limits must be consistent with industry standards. Such policy shall protect and indemnify the Manager against claims for the injury to or death of persons or damage to or destruction of property, such insurance to afford immediate protection to the limit of not less than \$250,000 for injury or death of each person, \$500,000 for injury to or death of person for each occurrence; and \$100,000 for damage to or destruction of property.
- (f) Other Insurances. Owner or Manager shall obtain in Owner's name and expense such other coverage's in amounts as shall be set forth in the insurance plan portion of the Approved Operating Plan. Such insurance shall be written by companies selected by Owner which are nationally recognized and legally qualified to issue such insurance in the state in which the Project is located and shall name Owner as insured and Manager as additional named insured.

5.2 Manager's Insurance. Manager shall obtain, at Manager's expense, and keep in force during the term of this Agreement:

- (a) Employee's Fidelity Insurance to protect Owner against misapplication of rents and other funds derived from operation of the Project by Manager and its employees
- (b) Auto liability coverage for motor vehicles owned or hired by Manager, protecting and indemnifying Manager against claims for the injury to or death of persons or damage to or destruction of property, such insurance to immediate protection to the limit of not less than \$250,000 for injury to or death of each person, \$500,000 for injury to or death of person for each occurrence; and \$100,000 for damage to or destruction of property.
- (c) Worker's compensation insurance with statutory and employer's liability coverage.

Such insurance shall be written by companies selected by Manager, which are nationally recognized and legally qualified to issue such insurance in the state in which the Project is located and shall name Manager as the insured and Owner as additional insured.

5.3 Policies. Manager shall attempt to insure each policy referred to in Sections 5.1 and 5.2 above shall:

- (a) provide that it will not be cancelled, amended, or reduced except after not less than ten (10) days' written notice to the Owner or Manager;
- (b) provide that such insurance shall not be invalidated by any act or negligence of Owner or Manager of any person of entity having an interest in the Project, nor by any foreclosure of other proceedings or notices thereof relating to the Project, nor by any change in title to or ownership of the Project; and
- (c) include a waiver of all rights of subrogation against Manager and Owner, their officers, directors and shareholders, constituent partners, employees, and agents.

Owner, with respect to the coverage's required under Section 5.1, shall deliver to Manager, and Manager, with respect to coverage's required under Section 5.2, shall deliver to Owner, certificates of insurance evidencing the existence of all insurance required to be maintained by Owner and Manager, respectively, under Sections 5.1 and 5.2 such delivery to be made:

- (1) within ten (10) days after the execution and delivery of this Agreement; and
- (2) at least ten (10) days prior to the expiration date of any such insurance policy.

5.4 Cooperation. Manager and Owner each shall furnish whatever information is reasonably requested by the other for the purpose of establishing insurance coverages.

5.5 Subcontractor's Insurance. Pursuant to the program of insurance for the Project, Manager shall require that each Subcontractor maintain insurance at the Subcontractor's expense, with such coverage's and in such minimum amounts as are called for by said program except that Manager may on behalf of itself and Owner, in its sole discretion, waive any of the above requirements. Manager shall obtain and keep on file a certificate of insurance, which shows that the Subcontractor is so insured, if required.

ARTICLE VI

BANK ACCOUNTS

6.1 Operating Account. Manager is authorized for and on behalf of Owner to establish an operating account for the Project at a banking institution of its choosing, provided it is located in the area in which the Project is located, to deposit all Project Income therein, and to pay all Project Expenses therefrom. Manager shall designate the authorized signatories on such account; provided that Owner reserves the right to approve any authorized signatories on such account during any Event of Default by Manager.

6.2 Owner's Obligation to Provide Funds. If at any time cash in the operating account shall not be sufficient to pay expenses and the accrued Payments to Manager, Manager shall not be obligated to pay expenses from its own account. Manager shall notify Owner as soon as practical upon first projection or awareness of a cash shortage or impending cash shortage, and Owner shall determine payment priority. After Manager has paid, to the extent of cash available in the operating account, all expenses based upon the ordered priorities set by Owner, Manager shall submit to Owner a statement of all remaining unpaid expenses and accrued Payments to Manager. Owner shall provide sufficient monies to pay any unpaid expenses and all accrued Payments to Manager within a reasonable time period agreed to by owner and manager. Such funds shall be provided to Manager within 10 days of Owner's receipt of such statement.

6.3 Right to Collect Payments to Manager. To the extent funds are available in the Operating Account, Manager shall be entitled to and is hereby authorized to disburse to itself the accrued Payments to Manager, but not more than once each calendar month. To the extent funds

are not available in the operating account to pay same, Owner agrees to pay Manager, within five (5) business days after demand therefore, but not more than once each calendar month, such sums as are necessary to discharge its liability to Manager therefore. Any accrued Payments to Manager remaining unpaid after such thirty (30) day period shall bear interest at the Interest Rate from the date due until paid. If Manager collects payments due hereunder by an attorney at law, Owner hereby agree(s) to pay all costs of collection, including a reasonable attorney's fee.

ARTICLE VII

MANAGEMENT FEE AND ADDITIONAL PAYMENTS

7.1 Base Management Fee. Owner shall pay Manager a base Management Fee of four percent (4%) of all healthcare (skilled nursing) related net revenues. "Net Revenues" are defined in this section as: All revenue and income of every kind or source resulting from the operation of the Facility (excluding gifts, grants, donations, contributions or similar transfers) after contractual allowances and bad debts as calculated on the accrual basis using generally accepted accounting principles consistently applied.

7.1.1 Meeting Budget Incentive Fee. In the event the Facility achieves the "operating margin" ("EBITDAR") as projected in the Approved Budget for the Fiscal Year, Owner shall pay Manager an incentive Management Fee which shall be the lesser of one percent (1%) of Net Revenues or the amount the Operating Margin exceeds the Approved Budget ("Meeting Budget Incentive Fee"). The maximum Meeting Budget Incentive Fee shall be one percent of Net Revenues.

7.1.2 Exceeding Budget Incentive Fee. In the event the Manager earns the maximum Meeting Budget Incentive Fee, Owner shall pay manager an additional incentive Management Fee (the "Exceeding Budget Incentive Fee") which shall equal 50% of the positive Operating Margin budget variance in excess of the Meeting Budget Incentive Fee. However, IN NO EVENT WILL MANAGER BE ENTITLED TO RECEIVE MORE THAN SIX PERCENT (6%) OF NET REVENUES FOR THE BASE MANAGEMENT FEE AND INCENTIVE FEES IN ANY FISCAL YEAR.

7.1.3 Manager will evaluate the probability of earning the Meeting and Exceeding Budget Incentive Fees (collectively, "Incentive Fees") periodically throughout the Fiscal Year. If Manager determines that Incentive Fees will likely be earned for the Fiscal Year, Manager will notify Owner of this determination; and will begin accruing the Incentive Fees estimate in the next and subsequent monthly financial statements unless Owner rejects Manager's recommendation. Any Incentive Fees earned will be paid in accordance with Article 7.3. Incentive fees are earned and paid solely based upon the complete Fiscal Year results, regardless of whether they are accrued on the financial statements.

7.2 Monthly Payments. The base Management Fee shall be due in arrears and paid on the fifteenth day of each month for the previous calendar month, provided Manager has

submitted monthly financial information to Owner confirming the Net Revenues for such previous month, and be deemed delinquent if not paid by the last day of such month.

7.3 Annual Adjustment. Within fifteen (15) days after the delivery of the annual financial statements of the Project, with all year-end adjustments shown, but not earlier than February 15 of each year, Owner shall pay to Manager or Manager shall pay to Owner such amount as is necessary to make the amount of total Management Fees paid with respect to the previous calendar year equal to the amount of the base Management Fees shown to be due for such calendar year, as well as the Incentive Fees, if any, due for such calendar year.

ARTICLE VI

TERM: TERMINATION

8.1 Term. This Agreement shall commence as of the date hereof and shall thereafter continue for three (3) years unless otherwise terminated pursuant to the terms herein. This Agreement will automatically renew for additional one year terms, unless sixty day written notice of termination is provided by either party prior to the expiration of the original term, or any renewal term.

8.2. Termination by Manager. Manager may terminate this Agreement with or without cause with sixty (60) days written notice to the Owner.

8.3 Termination by Owner. Owner may terminate this Agreement with or without cause with sixty (60) days written notice to the Manager. .

8.4 Termination Upon Default. The following shall constitute events of default:

(a) The filing of a voluntary petition in bankruptcy or insolvency or a petition for reorganization under any bankruptcy law by either Owner or Manager;

(b) The consent to an involuntary petition in bankruptcy or the failure by either Owner or Manager to vacate within ninety (90) days from the date of entry thereof any order approving an involuntary petition;

(c) The entering of an order, judgment, or decree by any court of competent jurisdiction, on the application of a creditor, adjudicating either Owner or Manager a bankrupt or insolvent or approving a petition seeking reorganization or appointment of a receiver, trustee, or liquidator of all or a substantial part of such party's assets, which order, judgment, or decree shall continue unstayed and in effect for a period of one hundred twenty (120) consecutive days;

(d) The failure or refusal of Owner to provide funds necessary to pay Project Expenses, as and when provided for in this Agreement, and the Payments to Manager, as and when provided for in this Agreement, provided Manager shall have first delivered the notices relating to Owner's obligation to provide such funds for payment of Project Expenses or Payments to Manager as required by this Agreement, and provided further that, as to Project Expenses, Owner's failure to pay such expenses is of such materiality as to make it reasonably impractical for Manager to fulfill its obligations hereunder and the continuance of any such failure for a period of thirty (30) days after written notice from Manager of the amounts required and the purposes thereof;

(e) The failure of either Owner or Manager to perform, keep, or fulfill any of the covenants, undertakings, obligations, or conditions set forth in this Agreement and the continuance of any such failure for a period of thirty (30) days after written notice of said failure;

(f) If the license for the operation of the Project is suspended and such suspension lasts more than one (1) day or is finally revoked or terminated.

If either party hereto desires to terminate this Agreement as a result of any such event of default by the other party hereto, the non-defaulting party shall first give to the defaulting party notice (a "Final Notice") of its intention to terminate this Agreement. After the expiration of a period of fifteen (15) days from the date of such notice, and upon the expiration of such fifteen- (15) day period, this Agreement shall terminate. If, however, upon receipt of such final notice, the defaulting party shall cure the default within said fifteen (15) day period, then this Agreement shall not terminate by reason of such Final Notice. Notwithstanding the provisions of this paragraph, in no event shall either party be obligated to deliver more than two (2) such Final Notices with regard to events of default listed herein to the other party hereto within any consecutive twelve (12) month period.

Notwithstanding any other provisions of this Agreement, but without otherwise affecting Manager's rights or remedies hereunder, Owner agrees that, in the event Owner breaches this Agreement by wrongfully terminating or wrongfully purporting to terminate, in whole or in part, Manager's position as Manager hereunder, Manager shall be entitled to the remedy of specific performance.

8.5 Effect of Termination Upon termination of this Agreement, Manager shall:

(a) Surrender and deliver up to Owner any and all Project Income and security deposits on hand or in the operating account less the Payments to Manager due Manager through the termination date, as provided in this Agreement;

(b) Deliver to Owner as received any monies due Owner under this Agreement but received by Manager after such termination;

(c) Deliver to Owner all materials, supplies, keys, contracts and documents, plans, specifications, promotional materials, and such other accountings, papers, and records

pertaining to this Agreement;

(d) At Owner's request, assign to Owner (without recourse to or warranty by Manager) executed contracts relating to the operation and maintenance of the Project;

(e) Deliver to Owner a final accounting of the Project prepared in accordance with the provisions of Section 4.1(g) up to and including the date of termination;

(f) Cease the performance of all services required to be performed by Manager under this Agreement, and;

(g) Cooperate reasonably with Owner to accomplish an orderly transfer of the operation and management of the Project to the party designated by Owner, including without limitation, executing any documents necessary to assure proper licensure (and certification, if applicable) of the Project in the name of such party (and Manager shall make no claim to any rights, intangible or otherwise, in or to any license, certification, certificate of need or similar right related to the Facility).

Upon termination of this Agreement for any reason, any right of Manager to receive Payments to Manager which accrue under the terms of this Agreement, prior to such termination, but are payable after the date of such termination, shall survive such termination and continue in force and effect, and Owner shall be obligated to make such Payments to Manager in the amounts and at the times provided for in this Agreement, subject to offset by the amount of any debt of Manager to Owner or claims of Owner against Manager if such claims are evidenced by or provided under any final judgments held by Owner against Manager.

ARTICLE IX

CASUALTY CONDEMNATION

9.1 Total or Substantial Destruction. If the Project or any portion thereof shall be damaged or destroyed at any time or times during the term of this Agreement by fire, casualty, or any other cause which renders the Project totally or substantially inoperative for the Existing Uses, and Owner does not notify Manager within three (3) months following the occurrence of such damage or destruction that Owner intends to rebuild or replace the same to substantially its former condition prior to such damage or destruction, this Agreement shall terminate as of the date of the damage or destruction, with each party's rights accruing through such date. If Owner notifies Manager within three (3) months following the occurrence of such damage or destruction that Owner intends to rebuild or replace the Project and does rebuild or replace the Project within a reasonable time, this Agreement shall continue in full force and effect except that the term hereof shall be extended for the period of time equal to that period during which the Project is inoperative.

For purposes of this Agreement, total destruction or damage "which renders the Project totally or substantially inoperative for the Existing Uses" shall mean damage or

destruction which, according to an engineer selected by Owner and Manager (each party agreeing to cooperate reasonably in such selection), could not reasonably be expected to be repaired or restored within twelve (12) months after the occurrence of such damage or destruction, so that at such time the Project will be restored substantially to the condition in which it existed prior to such damage or destruction, with services and amenities substantially equivalent to those which existed prior to such damage or destruction.

9.2 Partial Damage or Destruction. If the Project is damaged or partially destroyed in such a manner as to not totally or substantially render the Project inoperative for the Existing Uses (as defined in Section 9.1 above), this Agreement shall remain in force and effect as to that portion of the Project not so damaged or destroyed, with an appropriate abatement in the services to be performed by Manager as to such damaged or destroyed portion, except that if owner does not notify Manager within three (3) months following the occurrence of such damage or destruction that Owner intends to repair or replace the portion of the Project which was damaged or destroyed, Manager shall have the option, upon thirty (30) days notice to Owner, to terminate this Agreement, such termination to be effective upon the expiration of said thirty (30) day period, and thereafter Manager will have no claim against Owner (except as provided in Section 8.4 above) arising from such failure to rebuild and such termination.

9.3 Condemnation. If the whole or substantially all of the project shall be condemned or taken in any manner for any public or quasi-public use under any statute or by right of eminent domain, then this Agreement shall terminate as of the date of vesting of title thereto in the condemning authority, with each party's rights accruing through such date. If a part of the Project is so taken or condemned, and if such taking shall substantially affect the Project or if such taking shall be of a substantial part of the Project, Manager shall have the right by delivery of notice to Owner within sixty (60) days after such taking, to terminate this Agreement as of the date of the vesting of title thereto in the condemning authority, with each party's rights accruing through such date. If Manager shall not so elect, this Agreement shall be and remain unaffected by such taking, except that, effective as of the date of such taking, appropriate abatement shall be made in the services to be performed by Manager as to such taken area of the Project.

For purposes of this Agreement, the condemnation or taking of the "whole or substantially all of the Project" shall mean the condemnation or taking (or conveyance in lieu thereof) of a material portion of the Project, such that the Project ceases to be a first-class facility for all of the Existing Uses, or ceases to have adequate available parking or access, or ceases to have services and amenities substantially similar to those which existed immediately prior to such condemnation or taking (or conveyance in lieu thereof).

ARTICLE X

MISCELLANEOUS

10.1 Delegation Assignment

(a) Manager shall have the right to delegate its responsibilities under this Agreement to employees or agents of Manager or to engage Subcontractors for performance of all or any part of the services to be provided hereunder; provided, however that Manager shall at all times supervise the performance of Manager's duties and obligations hereunder. Additionally, Manager shall have the right, without obtaining Owner's consent, to assign this Agreement to a Manager Affiliate. Manager shall have the right to freely transfer, assign and encumber its right to receive Payments to Manager. Otherwise, Manager shall not, without Owner's prior approval (which may be given or denied in Owner's sole discretion), assign any of its rights or its obligations under this Agreement, whether by operation of law or otherwise. Any such attempted assignment shall be void. Except as expressly provided in this Agreement to the contrary, no assignment or delegation of responsibilities by Manager shall relieve Manager of any of its duties or responsibilities under this Agreement.

10.2 Notices

(a) All notices, directives, or demands required by this Agreement shall be in writing and shall be sent by registered or certified mail, return receipt requested, postage prepaid, or by overnight courier service (e.g., Federal Express, Airborne, or Network Courier) and overnight courier shall be used when the circumstances merit expedient delivery, addressed, in the case of Owner, to Owner at 3555 Keith Street, Suite 101, Cleveland, TN 37312 to the attention of Margaret P. Sheehan, and addressed, in the case of Manager, to Manager at 7201 Shallowford Road, Chattanooga, TN 37421, Attention CEO, or to such other address or addresses as shall, from time to time, be designated by notice by either party to the other party. Notices given in compliance with the foregoing provisions by registered or certified mail shall be effective on the date shown on the return receipt thereon as the date of delivery or attempted delivery, and notices sent by overnight courier shall be effective on the date shown on the courier's receipt therefor as the date of delivery.

(b) Upon notification from Owner or the person or entity designated as Owner's agent hereunder for all purposes (which agent must be an Affiliate of Owner), Manager agrees to forward all information, reports, and notices provided for hereunder to be delivered to Owner to such agent for Owner, and such agent shall be Owner's agent for all purposes under this Agreement until Owner shall designate to Manager a replacement agent for Owner hereunder or shall deliver notice of termination of such agency.

10.3 Entire Agreement. This Agreement shall constitute the entire agreement between the parties hereto and shall supersede all other prior agreements, written or oral, between the parties hereto and relating to the Project. No modification hereof shall be effective unless made by supplemental agreement in writing executed by the parties hereto.

10.4 Nature of Contract. Neither the relationship between Owner and Manager nor anything contained in this Agreement shall be deemed to constitute a partnership, joint venture,

or any other similar relationship, and Manager shall at all times be deemed an independent contractor for purposes of this Agreement.

10.5 Governing Law. This Agreement is made pursuant to, and shall be governed by and construed in accordance with, the laws applicable to contracts made and to be performed in the state of Tennessee.

10.6 No Waiver Cumulative Remedies. The failure of Owner or Manager to seek redress for violation or to insist upon the strict performance of any covenant, agreement, provision, or condition of this Agreement shall not constitute a waiver of the terms of such covenant, agreement, provision, or condition, and Owner and Manager shall have all remedies provided herein and by applicable law with respect to any subsequent act which would have originally constituted a violation.

10.7 Special Stipulations. The Special Stipulations, if any, attached hereto as EXHIBIT A are made a part hereof. To the extent the Special Stipulations conflict with the terms hereof, the Special Stipulations shall control.

10.8 [INTENTIONALLY DELETED]

IN WITNESS WHEREOF, the parties have executed this Management Agreement as of the date first above written.

OWNER:

Integrity Healthcare of Celina, LLC

By: 

John P. O'Brien, Jr., Chief Manager

MANAGER:

Grace Healthcare, LLC



By: Stan Burton

Title: President

EXHIBIT A

SCHEDULE OF INCLUDED AND EXCLUDED SERVICES

Management Services Included:

- Operational support
- Clinical support
- Reimbursement support (MDS and TennCare)
- Quality Assurance support
- Risk management, including insurance procurement and legal matters
- Treasury management
- Liaison with facility employees and building contractors for maintenance, repair, and improvement of physical plant
- Financial management, including business office support for collection of receivables, payment of invoices due, and payroll processing, monthly financial reporting, budget preparation, liaison for financial audits, cost reports, and tax preparation
- Salaries for regional operations, clinical, and financial support
- Travel expenses for regional operations, clinical, and financial support

Excluded Services:

- Expenses for Contractor to evaluate property for improvements
- Expenses for clinical and patient accounting software
- Premium for insurance policies
- Expenses for auditors, cost report preparers, and tax preparers
- Expenses for payroll processing fees
- Expenses for state unemployment tax consulting

FIRST AMENDMENT TO MANAGEMENT AGREEMENT

THIS FIRST AMENDMENT TO MANAGEMENT AGREEMENT (this "***First Amendment***") is entered into as of the first day of January, 2011 by and between **Integrity Healthcare of Celina, LLC**, a Tennessee limited liability company ("***Owner***"), and **Grace Healthcare, LLC**, a Delaware limited liability company ("***Manager***");

Background:

Owner is the licensed Owner of that certain skilled nursing facility known as Clay County Manor located at 120 Pitcock Lane, Celina, Tennessee 38551 (the "***Project***"). Owner and Manager have entered into that certain Management Agreement dated January 1, 2010 (the "***Management Agreement***") pursuant to which Owner has engaged Manager to manage and operate the Project.

Agreement:

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, and other good and valuable consideration, the receipt, adequacy and sufficiency of which is hereby acknowledged, the undersigned agree as follows:

1. **Amendment.** The Management Agreement is hereby amended by deleting Sections 7.1, 7.1.1, 7.1.2 and 7.1.3. The following provision shall be inserted in lieu thereof:

7.1 Amount. During the term of this Agreement, Owner shall pay Manager Management Fees equal to five percent (5%) of the Project Income during the year concerned.

2. **Successors and Assigns.** This First Amendment is binding upon, and shall inure to the benefit of, the parties hereto and their respective successors and assigns.

3. **Ratification.** Except as modified and amended by this First Amendment, the Agreement has not been modified or amended, is hereby ratified and confirmed on and subject to each of the terms, provisions and conditions thereof, as amended by this First Amendment, and is hereby declared by the undersigned to be in full force and effect.

4. **Counterparts.** This First Amendment may be executed in multiple counterparts, each of which shall be deemed an original, and all of which shall be one and the same instrument.

IN WITNESS WHEREOF, the undersigned have executed this First Amendment to be effective as of the date first above written.

OWNER:

Integrity Healthcare of Celina, LLC

By: 
John J. Sheehan, Jr., President

MANAGER:

Grace Healthcare, LLC

By: 
Stan Burton, Chief Executive Officer

SECOND AMENDMENT TO MANAGEMENT AGREEMENT

THIS SECOND AMENDMENT TO MANAGEMENT AGREEMENT (this "Second Amendment") is entered into as of the 30th day of June, 2011 by and between **Integrity Healthcare of Celina, LLC**, a Tennessee limited liability company ("**Owner**"), and **Grace Healthcare, LLC**, a Delaware limited liability company ("**Manager**");

Background:

WHEREAS, Owner is the licensed Owner of that certain skilled nursing facility known as Clay County Manor located at 120 Pitcock Lane, Celina, Tennessee 38551 (the "**Project**"). Owner and Manager have entered into that certain Management Agreement dated January 1, 2010 (the "**Management Agreement**") pursuant to which Owner has engaged Manager to manage and operate the Project.

WHEREAS, the Management Agreement was first amended on January 1, 2011 by that certain First Amendment to Management Agreement.

WHEREAS, the parties wish to further amend the Management Agreement.

Agreement:

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, and other good and valuable consideration, the receipt, adequacy and sufficiency of which is hereby acknowledged, the undersigned agree that Section 4.1 (b) of the Management Agreement shall be null and void and without any further force or effect and that Section 4.1 (b) of the Management Agreement shall be deleted in its entirety and the following shall be substituted in lieu thereof:

(b) **Personnel**. Advise Owner with respect to employment decisions affecting on-site Project employees. Except as provided herein, all on-site Project employees shall at all times be Owner's employees and not employees of Manager. Manager agrees to locate and recommend an administrator licensed for the Existing Uses in the state in which the Project is located (if such licensure is required) for the day-to-day administration of the Project. Owner shall have the right to approve and to appoint the facility administrator. The administrator shall be an employee of and compensated by Owner. The Salaries and Benefits of all on-site Project employees and the number of such employees shall be part of the Budget (and thus subject to approval by Owner), but each Approved Budget shall include and provide for sufficient funds to enable the payment of competitive Salaries and Benefits so as to attract and retain a sufficient number of capable employees to enable the Project to operate to the standard herein provided.

1. **Successors and Assigns.** This Second Amendment is binding upon, and shall inure to the benefit of, the parties hereto and their respective successors and assigns.

2. **Ratification.** Except as modified and amended by this Second Amendment, the Agreement has not been modified or amended, is hereby ratified and confirmed on and subject to each of the terms, provisions and conditions thereof, as amended by this Second Amendment, and is hereby declared by the undersigned to be in full force and effect.

3. **Counterparts.** This Second Amendment may be executed in multiple counterparts, each of which shall be deemed an original, and all of which shall be one and the same instrument.

IN WITNESS WHEREOF, the undersigned have executed this Second Amendment to be effective as of the date first above written.

OWNER:

Integrity Healthcare of Celina, LLC

By: 
John J. Sheehan, Jr., President

MANAGER:

Grace Healthcare, LLC

By: 
Stan Burton, Chief Executive Officer

BK/PG: LS30/309-315

12001095

7 PGS : AL - MEMORANDUM OF LEASE	
BRENDA BATCH: 11575	
11/08/2012 - 02:44:55 PM	
VALUE	0.00
MORTGAGE TAX	0.00
TRANSFER TAX	0.00
RECORDING FEE	35.00
DP FEE	2.00
REGISTER'S FEE	0.00
TOTAL AMOUNT	37.00

STATE OF TENNESSEE, CLAY COUNTY
BRENDA BROWNING
 REGISTER OF DEEDS

THIS INSTRUMENT PREPARED BY**AND RETURN TO:**

Richard D. Faulkner, Jr.
 Baker, Donelson, Bearman, Caldwell & Berkowitz, P.C.
 1800 Republic Center
 633 Chestnut Street
 Chattanooga Tennessee 37450

MEMORANDUM OF LEASE AND SUBLEASE

THIS MEMORANDUM OF LEASE AND SUBLEASE (this "*Memorandum*") is entered into as of November 1, 2012, by and between **CELINA PROPERTY INVESTMENT, LLC**, a Tennessee limited liability company ("*Landlord*"), **CJC LEASING, LLC**, a Tennessee limited liability company ("*Master Tenant*") and **INTEGRITY HEALTHCARE OF CELINA, LLC**, a Tennessee limited liability company ("*Subtenant*");

Witnesseth:

1. Landlord is the owner of that certain nursing facility located in Celina, Clay County, Tennessee and known as **Celina Health and Rehabilitation Center**, and more particularly described on Exhibit A attached hereto and made a part hereof (the "*Leased Premises*").
2. Landlord is one of the lessors under that certain HUD Facilities Master Lease Agreement of even date herewith (the "*Master Lease*") in which Master Tenant leased from Landlord and other lessors named therein certain real property, including the Leased Premises,
3. By HUD Facilities Sublease Agreement of even date herewith (the "*Sublease*"), Master Tenant subleased the Leased Premises to Subtenant.
4. The original term of the Master Lease with, respect to the Leased Premises, and the Sublease will commence on the date hereof and expire on the maturity date of the HUD Loan (defined below) or any earlier termination or payoff of the HUD Loan. The "HUD Loan" shall mean that certain mortgage loan (as amended, increased or decreased) from Red Mortgage Capital, LLC, a Delaware limited liability company, its successors or

assigns, insured by the U.S. Department of Housing and Urban Development, acting by and through the Federal Housing Administration under the provisions of Section 232 of the National Housing Act, made on or about the date hereof.

5. The Master Lease and Sublease and any approved sublease and all estates, rights, options, liens and charges therein contained or created under the Master Lease and Sublease and any approved sublease are and shall be subject and subordinate to the lien of the Deed of Trust executed by Landlord for the benefit of the lender under the loan insured by the U.S. Department of Housing and Urban Development.
6. The purpose of this Memorandum is to give notice of the existence of the Master Lease and Sublease, to which reference is hereby made for a full statement of the terms and conditions thereof. In the event of any conflict between the terms hereof and the Master Lease and Sublease, the Master Lease and Sublease shall control.


[signatures on the following pages.]

IN WITNESS WHEREOF, the parties have executed this Memorandum as of the date first above written.

LANDLORD:

CELINA PROPERTY INVESTMENT, LLC

By:


John J. Sheehan, Jr., President

ACKNOWLEDGMENT

STATE OF TENNESSEE)

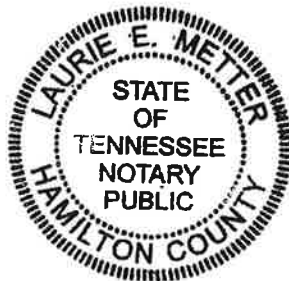
COUNTY OF Hamilton)

Before me, the undersigned, a Notary Public of the state and county mentioned, personally appeared John J. Sheehan, Jr., with whom I am personally acquainted (or proved to me on the basis of satisfactory evidence), and who, upon oath, acknowledged himself to be the President of **Celina Property Investment, LLC**, the within named bargainor, a Tennessee limited liability company, and that he as such President executed the foregoing instrument for the purpose therein contained, by signing the name of the limited liability company by himself as such President.

WITNESS my hand and seal, at office, this 29 day of October, 2012.


Notary Public

My commission expires: 02-18-2015



IN WITNESS WHEREOF, the parties have executed this Memorandum as of the date first above written.

MASTER TENANT:

CJC LEASING, LLC

By: 
John J. Sheehan, Jr., President

ACKNOWLEDGMENT

STATE OF TENNESSEE)
)
COUNTY OF Hamilton)

Before me, the undersigned, a Notary Public of the state and county mentioned, personally appeared John J. Sheehan, Jr., with whom I am personally acquainted (or proved to me on the basis of satisfactory evidence), and who, upon oath, acknowledged himself to be the President of **CJC LEASING, LLC**, the within named bargainor, a Tennessee limited liability company, and that he as such President executed the foregoing instrument for the purpose therein contained, by signing the name of the limited liability company by himself as such President.

WITNESS my hand and seal, at office, this 29 day of October, 2012.



Notary Public

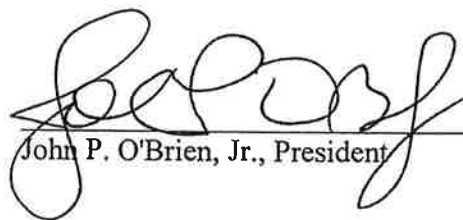
My commission expires: 02-18-2015



SUBTENANT:

INTEGRITY HEALTHCARE OF CELINA,
LLC

By:


John P. O'Brien, Jr., President

ACKNOWLEDGMENT

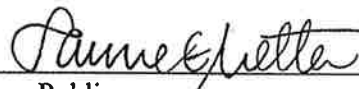
STATE OF TENNESSEE)

COUNTY OF Hamilton)

Before me, the undersigned, a Notary Public of the state and county mentioned, personally appeared John P. O'Brien, Jr., with whom I am personally acquainted (or proved to me on the basis of satisfactory evidence), and who, upon oath, acknowledged himself to be the President of **Integrity Healthcare of Celina, LLC**, the within named bargainor, a Tennessee limited liability company, and that he as such President executed the foregoing instrument for the purpose therein contained, by signing the name of the limited liability company by himself as such President.

WITNESS my hand and seal, at office, this 29 day of October, 2012.




Notary Public

My commission expires: 02-18-2015

**EXHIBIT A
TO
MEMORANDUM OF LEASE AND SUBLEASE**

Legal Description

EXHIBIT "A"
LEGAL DESCRIPTION

CURRENT EXISTING LOT OF RECORD:

Situated in the Third Civil District, Clay County, Tennessee; Known as being a part of the land now or formerly conveyed to Celina Property Investment LLC as recorded in Book 94, Page 610 of Clay County Records and being more particularly described as follows:

Beginning at a concrete right of way monument found at the beginning of the transition line from the southwest line of Pitcock Lane (Variable Width) to the northwest line of Tennessee State Routes 52 and 53 (Variable Width);

Thence, along said transition line, South 05°48'48" East, 97.29 feet to a broken concrete monument found on the northwest line of Tennessee State Routes 52 and 53;

Thence, along the northwest line of Tennessee State Routes 52 and 53, South 38°54'05" West, 149.49 feet to a 5/8" capped rebar set;

Thence, leaving the northwest line of Tennessee State Routes 52 and 53 and crossing through said Celina Property Investment LLC land, North 80°01'56" West, 380.34 feet to a 1/2" iron rod found at the northeast corner of land now or formerly conveyed to Sam Brown as recorded in Book 6, Page 76 of Clay County Records;

Thence, along the north line of said Brown land, North 84°19'49" West, 12.00 feet to a 1/2" iron rod found at the southeast corner of Lot 19, H.S. Williamson Subdivision No. 3 as recorded in Plat Book 1, Page 336 of Clay County Records;

Thence, along the east line of Lots 19, 18 and 17 in said subdivision, North 05°50'31" East, 81.32 feet to a 1/2" iron rod with a ID cap stamped "Wiggins" found at the northeast corner of Lot 17;

Thence, along the east line of Lots 16 through 13, North 06°34'19" East, 90.67 feet to an 1/2" iron rod found at the northeast corner of Lot 14;

Thence, along the east line of Lots 13 through 10, North 06°31'02" East, 69.70 feet to a 5/8" capped rebar set;

Thence, along the East line of Lots 10 through 5, North 06°56'51" East, 128.31 feet to a 5/8" capped rebar set at the southwest corner of land now or formerly conveyed to Oather & Josephine Williams, et ux as recorded in Book 54, Page 56 of Clay County Records;

Thence, along the south line of said Williams land and the south line of land now or formerly conveyed to Jimmie D. & Joyce E. McClain as recorded in Book 82, Page 52 of Clay County Records, South 81°16'52" East, 226.84 feet to a 1/2" iron rod found;

Thence, continuing along the south line of said McClain land, the following three (3) courses and distances:

- 1) South 79°26'57" East, 43.51 feet to a 1/2" iron rod found;
- 2) Thence, South 74°40'39" East, 11.11 feet to a 1/2" iron rod found;
- 3) Thence, South 56°02'21" East, 7.26 feet to a bent 1/2" iron rod found on the southwest line of Pitcock Lane;

Thence, along the southwest line of Pitcock Lane, South 40°10'17" East, 224.86 feet to the Point of Beginning and containing 3.5390 acres (154,158 square feet) of land, more or less.

Being a portion of the same property conveyed to Celina Property Investment, LLC by Deed of record in Book WD94, page 610, Register's Office for Clay County, Tennessee.

HUD FACILITIES MASTER LEASE AGREEMENT

This HUD FACILITIES MASTER LEASE AGREEMENT (this "***Lease***") is made and entered into as of **November 1, 2012**, by and among the entities set forth as "Landlords" in the chart on Schedule 1 attached hereto (collectively, the "***Landlords***") and CJC LEASING, LLC, a Tennessee limited liability company ("***Master Tenant***").

Background:

As of the Commencement Date (defined herein) of this Lease, each Landlord is the owner of the nursing facility identified opposite the name of the applicable Landlord on Schedule 1 attached hereto. Landlords desire to lease to Master Tenant such nursing facilities (collectively, the "***Leased Premises***" or the "***Projects***"), and Master Tenant desires to lease the Projects from Landlords, on the terms and conditions set forth herein. The Leased Premises includes all of the real (immovable) property owned by each Landlord described on Exhibits A-1 to A-3 attached hereto, together with any additions thereto and substitutions therefor and any buildings, improvements, betterments, fixtures, equipment, furnishings, component parts and other property, real (immovable) or personal (movable), now existing or at any time acquired, constructed or located thereon. The Leased Premises also includes, where applicable, any certificate of need with respect to such nursing facility.

The Projects have been, or are being, refinanced with mortgage loans (as amended, increased or decreased, the "***Loans***") from Red Mortgage Capital, LLC, a Delaware limited liability company (together with any future holder of the Mortgages, "***Lender***"), to be insured by the U.S. Department of Housing and Urban Development ("***HUD***") acting by and through the Federal Housing Administration ("***FHA***") under the provisions of Section 232 of the National Housing Act and the regulations thereunder. The Loans are, or will be, evidenced by, among other things, Deed of Trust Notes, payable to Lender, executed by Landlords and endorsed by HUD (collectively, the "***Notes***"). The Loans have each been assigned the FHA Project Numbers set forth on Schedule 1 attached hereto.

The Loans are, or will be, secured by, among other things, (i) deeds of trust granted by Landlords in favor of Lender with respect to the Leased Premises (collectively and together with any amendments or supplements thereto, the "***Mortgages***"), (ii) Security Agreements by and between Landlords and Lender with respect to the Leased Premises (collectively and together with any amendments or supplements thereto, the "***Landlord Security Agreements***"), (iii) a Security Agreement by and between Master Tenant and Lender with respect to the Leased Premises (with any amendments or supplements thereto, the "***Master Tenant Security Agreement***"), and (iv) a Security Agreements by and between Subtenants (as defined in Section 4(n)(i) below) and Lender with respect to the Leased Premises (with any amendments and supplements thereto, the "***Subtenant Security Agreements***") (the Master Tenant Security Agreement and the Subtenant Security Agreements, collectively and together with any amendments or supplements thereto, the "***Tenant Security Agreements***"). In connection with the Loans, (i) each Landlord will be entering into a Regulatory Agreement for Multifamily Housing Projects with HUD with respect to each Project (collectively and together with any amendments, riders or supplements thereto, the "***Landlord Regulatory Agreements***") and (ii) Master Tenant and each Subtenant will be entering into a Regulatory Agreement Nursing Homes

with HUD with respect to each Project (collectively and together with any amendments, riders or supplements thereto, the "***Tenant Regulatory Agreements***"). Also, each Landlord, Master Tenant, Subtenant and Lender will be entering into a Subordination Agreement (the "***Subordination Agreement***") and a letter agreement executed by HUD (the "***Letter Agreement***").

Agreement:

In consideration of the foregoing and other good and valuable consideration, and intending to be legally bound, Landlords and Master Tenant hereby agree as follows:

1. **Lease of Leased Premises.** Each Landlord hereby leases to Master Tenant, and Master Tenant hereby leases from each Landlord, the Leased Premises owned by such Landlord on the terms and conditions set forth in this Lease.
2. **Term.**
 - (a) **Commencement of Term.** The term of this Lease (the "***Term***") shall commence on the date of the closing of the Loan secured by the Project located in Clarksville, Tennessee (the "***Commencement Date***").
 - (b) **Expiration of Term.** The Term shall expire with respect to each Project on the maturity date of the Loan with respect to such Project or any earlier termination or payoff of such Loan.
3. **Rental Payments.**
 - (a) **Base Rent.** Master Tenant agrees to pay Landlords as base rent for the Leased Premises the following (collectively, the "***Base Rent***"):
 - (i) An amount equal to 1.05 times the aggregate monthly principal and interest payment due from Landlords to Lender pursuant to the Notes;
 - (ii) An amount equal to 1.05 times the monthly mortgage insurance premium charge due from Landlords to Lender pursuant to the terms of the Mortgages;
 - (iii) An amount equal to 1.05 times the monthly tax payment due from Landlords to Lender pursuant to the terms of the Mortgages;
 - (iv) An amount equal to 1.05 times the monthly property insurance payments due from Landlords to Lender pursuant to the terms of the Mortgages;
 - (v) An amount equal to 1.05 times the monthly replacement reserve fund payment due from Landlords to Lender pursuant to the terms of the Landlord Regulatory Agreements;

- (vi) An amount sufficient to pay for any necessary maintenance of the Leased Premises, if not already paid by Master Tenant; and
 - (vii) Any other amounts due from Landlords to Lender in connection with the Loans.
- (b) Payment of Base Rent. The Base Rent shall be due and payable by Master Tenant in United States currency, in advance in equal monthly installments on the first (1st) day of each calendar month of the Term, or in the event the first day of the calendar month is not a Business Day (defined below), on the first Business Day following the first day of each calendar month. Base Rent for any period which is less than a full calendar month or full year, as the case may be, during the Term, shall be prorated on a daily basis. Base Rent shall not be paid more than one (1) month in advance. Rent shall be paid to the applicable Landlord at such place as such Landlord shall designate from time to time by notice to Master Tenant. (The term "***Business Day***" means any day other than (i) a Saturday or a Sunday, and (ii) a day on which federally insured depository institutions in Nashville, Tennessee are authorized or obligated by law, regulation, governmental decree or executive order to be closed.)
- (c) Additional Rent. Master Tenant shall pay Landlords as additional rent hereunder, within ten (10) days after receipt of an invoice therefor from Landlords, the amount of any accounting or audit fees incurred by Landlords in connection with the Loans, the amount of any franchise, excise, income, sales or other taxes incurred by Landlords in connection with the Leased Premises and the operation of the Projects, and an amount equal to the overhead, office and general administrative expenses incurred by Landlords in connection with the the Leased Premises and the operation of the Projects.
- (d) Reduction in Licensed Beds. In no event shall the Base Rent be reduced in the event the number of licensed beds at a Project is reduced.
- (e) Reallocation of Rent Permitted. Subject to the right of the Lender to reasonably consent thereto, Landlord and Master Tenant reserve the right to adjust and reallocate the amount of Base Rent allocated to each Leased Premises covered by this Lease, so long as the total aggregate amount of Base Rent for all of the Leased Premises is not increased. Landlord may adjust and reallocate the amounts of Base Rent allocated to each Leased Premises covered in this Lease for, among other reasons, the purposes of maximizing reimbursements from the Medicaid or Medicare programs and/or maximizing the amount of FHA insured debt which can be refinanced on the subject Leased Premises.

4. HUD Provisions.

- (a) Precedence of HUD Provisions. For so long as HUD is the holder or insurer of any indebtedness secured by the Leased Premises, the provisions of this Section 4 shall apply to this Lease. In the event of any conflict between any provision of

this Section 4 and any other provision of this Lease, the provision of this Section 4 shall be controlling. This Section 4 shall not be amended without the prior written consent of HUD and Lender.

- (b) Definitions. The following terms as used in this Lease shall have the meanings specified below:
- (i) **"FF&E"** means furnishings, fixtures and equipment of all kinds used in connection with the Leased Premises, including additions, substitutions and replacements thereto.
 - (ii) **"Health Care Requirements"** shall mean, relating to the Leased Premises, all federal, state, county, municipal and other governmental statutes, laws, rules, orders, regulations, ordinances, judgments, decrees and injunctions or agreements, in each case, pertaining to or concerned with the establishment, construction, ownership, operation, use or occupancy of the Leased Premises or any part thereof as a health care facility, and all material permits, licenses and authorizations and regulations relating thereto, including all material rules, orders, regulations and decrees of and agreements with health care authorities pertaining to the Leased Premises.
 - (iii) **"HUD Program Requirements"** means all applicable statutes and regulations, including all amendments to such statutes and regulations, as they become effective, and all applicable requirements in HUD handbooks, notices and mortgagee letters that apply to the Leased Premises, including all updates and changes to such handbooks, notices and mortgagee letters that apply to the Leased Premises, except that changes subject to notice and comment rulemaking shall become effective upon completion of the rulemaking process.
 - (iv) **"Loan Documents"** means the Notes, the Mortgages, the Landlord Security Agreements, the Tenant Security Agreements, the Landlord Regulatory Agreements, Tenant Regulatory Agreements, the Subordination Agreement, the Letter Agreement, and all other loan documents, promissory notes, mortgages, deeds of trust, security deeds, security agreements, loan agreements and any other documents evidencing, securing and or guaranteeing the Loans as amended, modified, supplemented or restated from time to time.
 - (v) **"Material Term"** is a term that:
 - (A) extends the maturity date of the loan;
 - (B) adds guarantors to the loan;
 - (C) releases guarantors from the loan;
 - (D) adds borrowers to the loan;
 - (E) adds an interest reserve to the loan;

- (F) amends the interest rate payable on the outstanding principal balance of the loan;
- (G) increases or decreases the principal amount of the loan;
- (H) adds collateral as additional security for the loan; or
- (I) amends or expands the type of obligations secured by the loan.

(c) Compliance with HUD Requirements and Loan Documents.

- (i) Master Tenant agrees to comply with, and to cause all permitted Subtenants to comply with, all applicable HUD Program Requirements and the Loan Documents. Master Tenant further agrees that this Lease will be part of the collateral pledged by Landlords to Lender and HUD. Master Tenant agrees that it will not take any action which would violate any applicable HUD Program Requirements or any of the Loan Documents.
- (ii) In the event of any conflict between the terms and provisions of this Lease and any applicable HUD Program Requirements or the Loan Documents, the HUD Program Requirements and Loan Documents shall control in all respects. Landlords and Master Tenant agree that no provision of this Lease shall modify any obligation of Landlords or Master Tenant under the Loan Documents. Landlords and Master Tenant acknowledge that HUD's acceptance of this Lease in connection with the closing of the Loans shall in no way constitute HUD's consent to arrangements which are inconsistent with HUD Program Requirements. This Lease is subject to all HUD Program Requirements. In the event of a conflict between the terms and provisions of this Lease and the Subordination Agreement, the Subordination Agreement shall control.

(d) Subordination.

- (i) This Lease is and shall be subject and subordinate to the Mortgages and other Loan Documents; to all renewals, modifications, consolidations, replacements and extensions thereof; to all substitutions thereof; and to all future mortgages upon the Leased Premises and/or other security interests in or to the Leased Premises and any other items which are herein leased to Master Tenant or which, pursuant to the terms hereof, become a part of the Leased Premises or are otherwise deemed to become the property of Landlords or to remain upon the Leased Premises at the end of the term; and to each advance made or hereafter to be made under any of the foregoing. This Section 4(d) shall be self-operative and no further instrument of subordination shall be required. Without limiting the foregoing, Master Tenant agrees to execute and deliver promptly any and all certificates, agreements and other instruments that Landlords, Lender or HUD may reasonably request in order to confirm such subordination. Unless Lender shall have agreed otherwise, if Lender or another person or entity shall succeed to the interest of Landlords by reason of foreclosure or

other proceedings brought by Lender in lieu of or pursuant to a foreclosure, or by any other manner (Lender or such other person or entity being called a "*Successor*"), then this Lease shall terminate, or, at the option of the Successor, this Lease shall nevertheless continue in full force and effect, in which case Master Tenant shall and does hereby agree to attorn to the Successor and to recognize the Successor as its landlord under the terms of this Lease.

- (ii) Agreements for provision of services to the Leased Premises or the granting of easements, rights of way or other allowances of use or placement of CATV, utilities or other items are, and shall always be, subordinate to (A) the right of Landlords, and (B) the Mortgages and other Loan Documents and all other mortgages and security interests now or hereafter encumbering the Leased Premises and/or the property of which it forms a part. Master Tenant must obtain HUD written approval prior to entering into any telecommunications services agreement that encumbers the Leased Premises and/or granting of any easements.
- (e) Ownership of FF&E. Master Tenant agrees that (i) except leases of FF&E entered into in the ordinary course of business with third-party lessees and property of tenants and residents of the Leased Premises, all FF&E located on the Leased Premises at the date of the Lease is and shall be the property of Landlords, and (ii) any FF&E acquired by Landlords, Master Tenant or any permitted Subtenant during the term of this Lease remaining on the Leased Premises at the termination of the Lease shall be and/or become the property of Landlords. Master Tenant agrees, during the term of the Lease, not to remove any FF&E from the Leased Premises, except to replace such FF&E with other similar items of equal or greater quality and value.
- (f) Payments. Landlords and Master Tenant each acknowledge and agree that the rent and other amounts payable by Master Tenant under this Lease (including base rent in accordance with Section 3(a) above, additional rent and all other sums payable under this Lease) are sufficient to properly maintain the Leased Premises, and to enable Landlords to meet their debt service obligations and related expenses in connection with the Loans and the Leased Premises.
- (g) Tenant Regulatory Agreements and Tenant Security Agreements. At the time of the closing of the applicable Loan, Master Tenant agrees to execute and to cause each Subtenant to execute the Tenant Regulatory Agreements and the Tenant Security Agreements, and other applicable documents evidencing Lender's security interest in the collateral of Master Tenant and Subtenants. Master Tenant agrees to comply with its obligations under the Tenant Regulatory Agreements and the Tenant Security Agreements, and agrees that a default by the Master Tenant or Subtenant under the Tenant Regulatory Agreements or Tenant Security Agreements shall be deemed to be a default under this Lease.

- (h) Management Contract Requirements. Master Tenant agrees not to enter into, or allow its permitted Subtenants to enter into, any management contract involving the Leased Premises unless such management contract complies with applicable HUD Program Requirements and contains provisions that, in the event of default under the Landlord Regulatory Agreements or the Tenant Regulatory Agreements, the management agreement shall be subject to termination upon not more than thirty (30) days notice without penalty upon written request of HUD. Upon such HUD termination request, Master Tenant shall immediately arrange to terminate the management contract, or cause its permitted Subtenants to terminate the management contract, within a period of not more than thirty (30) days and shall make arrangements satisfactory to HUD for continuing proper management of the Leased Premises.
- (i) Licenses; Bed Authority. Master Tenant shall ensure that the Leased Premises meets all state licensure requirements and standards at all times. Landlord and Master Tenant agree not to undertake or acquiesce to any modification to any license with respect to the Leased Premises or to any "bed authority" related thereto without the prior written approval of HUD.
- (j) Governmental Receivables. Master Tenant shall be responsible for obtaining and maintaining, or causing its permitted Subtenants to obtain and maintain, all necessary provider agreements with Medicaid, Medicare and other governmental third party payors. Master Tenant agrees to furnish HUD and Lender with copies of all such provider agreements and any and all amendments thereto promptly after execution thereof.
- (k) Financial Statements and Reporting Requirements. Master Tenant agrees to furnish HUD and Lender copies of its annual financial statements with respect to the Leased Premises, prepared in compliance with the requirements of the Tenant Regulatory Agreement, within ninety (90) days after the close of Master Tenant's fiscal year or such longer period as may be permitted by HUD. Master Tenant agrees to submit to HUD and Lender copies of all other financial reports as specified in the Tenant Regulatory Agreements.
- (l) Inspections. Master Tenant agrees that upon reasonable request, Lender, HUD and their respective designees and representatives may at all reasonable times, upon reasonable notice, subject to the rights of patients, residents and tenants, examine and inspect the Leased Premises. Master Tenant will, on the request of Lender and/or HUD, promptly make available for inspection by Lender and/or HUD, and their designees and representatives, copies of all of Master Tenant's correspondence, books, records and other documentation relating to the Leased Premises, excepting communications between Master Tenant and its attorneys. Master Tenant agrees to maintain accounting records for the Leased Premises in accordance with its customary practice and the Tenant Regulatory Agreement, separate from any general accounting records which Master Tenant may maintain in connection with Master Tenant's other activities. Master Tenant agrees that Lender and/or HUD, and their designees and representatives, shall at

any reasonable time, have access to and the right to examine all accounting records of Master Tenant which relate directly or indirectly to the Leased Premises. The obligations of Master Tenant under this Section shall be limited to the extent necessary in order for Master Tenant to comply with applicable laws regarding the confidentiality of resident/patient medical records and information.

- (m) Insurance; Casualty; Condemnation. Unless otherwise permitted by the Landlords and HUD, Master Tenant agrees to procure and maintain, or cause to be procured and maintained, the insurance coverage required pursuant to the Loan Documents and/or applicable HUD Program Requirements, including HUD Notices H 04-01 and H 04-15. Insurance proceeds and the proceeds of any condemnation award or other compensation paid by reason of a conveyance in lieu of the exercise of such power, with respect to the Leased Premises or any portion thereof shall be applied in accordance with the terms of the Loan Documents and applicable HUD Program Requirements. The decision to repair, reconstruct, restore or replace the Leased Premises following a casualty or condemnation shall be subject to the terms of the Loan Documents and applicable HUD Program Requirements.
- (n) Assignment of Lease and Subletting of the Leased Premises.
 - (i) Notwithstanding anything to the contrary contained in this Lease, Master Tenant may sublease each of the Projects to the subtenants designated on Schedule 1, or to affiliates thereof under common control with Master Tenant (collectively, "***Subtenants***") to operate each Project, pursuant to a form of sublease agreement (the "***Sublease***") approved by Landlord and Lender and that obligates each Subtenant to perform the duties and obligations of Master Tenant hereunder insofar as they involve, concern, arise, or are connected with the Project subleased by such Subtenant.
 - (ii) Except as provided in Section 4(n)(i), this Lease shall not be assigned or subleased by Master Tenant, in whole or in part (including any transfer of title or right to possession and control of the Leased Premises, or of any right to collect fees or rents), without the prior written approval of HUD. The prior written approval of HUD shall be required for (i) any change in or transfer of the management, operation, or control of the project or (ii) any change in the ownership of Master Tenant that requires HUD approval under the Department's previous participation approval requirements. Landlord and Master Tenant acknowledge that any proposed assignee will be required to execute a Tenant Regulatory Agreement and a Tenant Security Agreement, each in form and substance satisfactory to HUD, as a prerequisite to any such approval. Any assignment or subletting of the Leased Premises made without such prior approval shall be null and void. This restriction on subletting does not apply to Master Tenant's leasing of individual units or beds to patients/residents.

- (o) Accounts Receivable (AR) Financing. Master Tenant shall not pledge its accounts receivable or receipts to an accounts receivable lender for any loan without the prior written approval of Lender and HUD. In the event that Lender and HUD grant such approval, (i) the holder(s) of such lien shall enter into an Intercreditor and a Rider to Intercreditor Agreement with the AR Lender and Lender on such terms and conditions as may be required by HUD, and (ii) Master Tenant shall agree to comply with the requirements imposed by Lender and HUD in connection therewith. Until such approved loan is paid in full, the written approval of HUD is required for any proposed modifications, extensions, renewals or amendments to a Material Term of the AR loan prior to the effective date of such amendments.
- (p) Termination of Lease. This Lease shall not be terminated prior to its expiration date without the prior written approval of HUD. If HUD becomes Lender, Lender in possession, or Successor, HUD can terminate the Lease:
 - (i) for any violation of the Lease that is not cured within any applicable notice and cure period given in the Lease;
 - (ii) for any violation of the Tenant Regulatory Agreements or other HUD Program Requirements or Health Care Requirements that is not cured within thirty (30) days after receipt by Master Tenant of written notice of such violation; or
 - (iii) if HUD, as a result of the occurrence of either of the events described in the foregoing items (i) or (ii), is required to advance funds for the operation of the facility located on the Leased Premises.
- (q) Limitation on Indemnification. Notwithstanding any other terms contained in the Lease, in the event of an assignment of the Lease to HUD or FHA, neither HUD nor FHA shall have any indemnification obligations under the Lease. In addition, any payment obligations of HUD or FHA pursuant to the Lease shall be limited to actual amounts received by HUD or FHA, and otherwise not prohibited by applicable law or regulation, including without limitation, the Antideficiency Act, 31 U.S.C. § 1341 et seq.

5. **Use, Maintenance and Operation of Leased Premises.** Master Tenant covenants that during the Term, it shall:

- (a) occupy and use the Leased Premises for the operation of nursing home facilities and uses ancillary thereto and for no other purpose without the applicable Landlord's prior consent.
- (b) pay or cause to be paid all costs of operating the Leased Premises including, without limitation, all charges for water, electricity, light, heat or power, sewage, telephone and other utility service, rendered or supplied during the Term; all

water, water meter, and sewer rents, rates, and charges; and any and all other governmental levies, fees, rents, assessments, or taxes and charges;

- (c) at its own cost or expense keep and maintain, or cause to be kept and maintained, in good repair and condition (excepting reasonable wear and tear or repairs funded with Landlords' replacement reserve funds), the Leased Premises and all additions and improvements thereto, excluding any rebuilding or restoration following damage to or destruction or condemnation of all or part of the Leased Premises, but in any event in such condition as HUD may require while HUD is the holder or insurer of any mortgage on the Leased Premises;
- (d) make all repairs, renewals, replacements and improvements to the Leased Premises in order to maintain service and resident care in accordance with the law;
- (e) not commit or suffer waste of the Leased Premises;
- (f) maintain in good standing, or cause each Subtenant to maintain in good standing, the licenses to operate the Projects as nursing facilities (the "Licenses") and any other licenses or permits required to operate the Projects as licensed nursing facilities;
- (g) promptly comply, unless contested in good faith, and cause Subtenants to promptly comply, unless contested in good faith, with all requirements of the Tennessee Department of Health (the "*Department of Public Health*") and its representatives with respect to the operation of the Leased Premises, in providing care to residents;
- (h) comply, and cause all permitted Subtenants to comply, with all applicable requirements of Titles XVIII and XIX of the Social Security Act, and the rules and regulations thereunder, as the same may now or hereafter be in effect, in order to maintain its status in good standing as a provider of health care services under such Titles;
- (i) upon receipt, promptly furnish Landlords with copies of any inspection reports made by the Department of Public Health or the United States Department of Health and Human Services, and promptly undertake to correct any deficiencies noted in such inspection reports regarding its operation of the Leased Premises as a nursing facility; and
- (j) promptly inform Landlords of any decisions on behalf of the Department of Public Health as to a change in status of any certificate or license affecting Master Tenant's operation of the Leased Premises as a nursing facility.

6. **Maintenance of Entity Existence.** Master Tenant agrees that during the Term it will maintain its entity existence, will continue to be a limited liability company organized under the laws of the State of Tennessee, will pay prior to delinquency all taxes assessed

against it or any of its assets by any federal, state or local governmental authority, subject to any applicable extensions or legally available challenges, will not dissolve or otherwise dispose of all or substantially all of its assets, and will not consolidate with or merge into another entity or permit one or more other entities to consolidate with or merge into it.

7. **Management.** Master Tenant agrees at all times during the Term to employ or cause to be employed a qualified management firm or qualified administrator to supervise the operation of the Leased Premises. Such management firm or administrator shall be experienced in the management and operation of facilities of the nature and size of the Leased Premises and shall be subject to the reasonable approval of Landlords and HUD.
8. **Payment of Lawful Taxes and Charges.** Master Tenant agrees to pay all taxes and assessments or other municipal or governmental charges of any kind whatsoever that may at any time during the Term be lawfully imposed, levied or assessed upon or in respect of Master Tenant's income, operations, assets or property, including the Leased Premises, or any part thereof, prior to delinquency, including any machinery, equipment or related property installed or brought by Master Tenant therein or thereon, and all utility and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Leased Premises; provided, however, that with respect to special assessments or other governmental charges that lawfully may be paid in installments over a period of years, Master Tenant shall be obligated to pay only such installments as are required to be paid during the term of this Lease. Notwithstanding the foregoing, Master Tenant shall not be liable for any federal, state or local income taxes which may be assessed against Landlords. Notwithstanding the foregoing, Master Tenant may, at its own expense and in good faith, contest any taxes, assessments, charges, claims, accounts, obligations, or demands and, in the event of any such contest, may, with the approval of Landlords and HUD, permit the taxes, assessments, charges, claims and demands so contested to remain unpaid during the period of such contest and may appeal therefrom.
9. **Compliance With Laws.**
 - (a) **Definition.** For purposes of this Lease, "**Laws**" shall mean means any local, county, state, federal, foreign or other law, statute, regulation, ordinance, rule, order, decree, judgment, consent decree, settlement agreement or governmental requirement enacted, promulgated, entered into, agreed or imposed by any the government of the United States or any foreign country or any state or political subdivision thereof and any entity, body or authority exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, and other quasi-governmental entities established to perform such functions.
 - (b) **Compliance.** Master Tenant covenants that, at all times during the Term, the Projects and all operations thereof and all actions taken by Master Tenant with respect to the Projects, including all repairs, additions, alterations or improvements to the Projects, will at all times be in compliance in all material

respects with all applicable Laws. Master Tenant shall not take any action which would cause the Projects to be in material violation of any such applicable Laws.

- (c) **Contesting Laws.** Notwithstanding any provision of this Lease, Master Tenant shall have the right to contest in good faith any Law, provided that such action is promptly and diligently pursued, and Master Tenant agrees to keep Landlords informed as to the status of such contest and provided further that such action does not, in Landlords' judgment materially adversely affect Master Tenant's ability to operate the Leased Premises and pay the rent due hereunder.
10. **Additions and Alterations.** Except where an emergency situation exists, or as required to satisfy Master Tenant's obligations under Sections 5(c) and 5(d) above, during the Term Master Tenant shall not:
- (a) without the prior written approval of Landlords, which will not be unreasonably withheld or delayed, and HUD, make any alterations, changes, replacements, improvements or additions of a structural nature to the Leased Premises; or
 - (b) permit any alienation, removal, demolition, substitution, improvement, alteration or deterioration of the Leased Premises that would impair or reduce the usefulness or value thereof or Landlords' interest therein.
11. **Financial and Other Restrictions.** So long as this Lease remains in effect, (and, as to the records required hereunder, for a period of three (3) years thereafter), Master Tenant agrees to:
- (a) Keep proper books of record and account in which full, true and correct entries will be made of all its business transactions in accordance with generally accepted accounting principles;
 - (b) Make payment of all indebtedness incurred in the ordinary course of Master Tenant's business within the times provided under the terms of such indebtedness and make payments of all taxes, governmental charges and/or payments in lieu of taxes prior to delinquency, subject in each instance to Master Tenant's right to contest in Section 8 of this Lease. Provide to Landlords the same financial statements with respect to the Leased Premises that are required to be provided to HUD pursuant to the Loan Documents and the HUD Program Requirements; and
 - (c) With reasonable promptness provide to Landlords, any other data and information with respect to the Projects and the operations thereof that may be reasonably requested from time to time.
12. **Inspections.** Master Tenant agrees that upon reasonable request, Landlords and their designees and representatives may at all reasonable times, upon reasonable notice, subject to the rights of patients, residents and tenants, if any, examine and inspect the Leased Premises. Master Tenant will, on the request of Landlords, promptly make

available for inspection by Landlords and their designees and representatives copies of all of Master Tenant's correspondence, books, records and other documentation relating to the Leased Premises, but excepting communications between Master Tenant and its attorneys. Master Tenant agrees to maintain accounting records for the Leased Premises in accordance with its customary practice, separate from any general accounting records which Master Tenant may maintain in connection with Master Tenant's general business activities. Master Tenant agrees that each Landlord and its designees and representatives shall, at any reasonable time, have access to and the right to examine all accounting records of Master Tenant that relate directly or indirectly to the Leased Premises owned by such Landlord. Notwithstanding the foregoing, all rights of access and inspection shall be subject to the requirements of patient and resident privacy laws, including HIPAA.

13. Indemnification Concerning the Leased Premises.

- (a) Indemnification. Master Tenant covenants and agrees, at its expense, to cause its respective Subtenant to indemnify and save Landlord and Lender harmless of, from and against, any and all claims, damages, demands, expenses, liabilities, and losses of every kind, character, and nature asserted by or on behalf of any person arising out of, resulting from, or in any way connected with, the condition, use, possession, conduct, management, operation, or leasing of the Leased Premises subleased by such Subtenant during the Term, except for any claim, damage, demand, expense, liability or loss arising out of the negligence or willful misconduct of the party seeking indemnity or its agents. Without limiting the foregoing, the indemnity and hold harmless provisions of this section shall automatically terminate upon the payment of the applicable Loan or the termination of the HUD Mortgage with respect to the applicable Project.
- (b) Third Party Claims. If any action is brought against Landlords or Lender based upon any of the above and in respect to which indemnity may be sought against Master Tenant, Landlords or Lender (as applicable) may request in writing that Master Tenant assume the defense thereof, including the employment of counsel selected by Master Tenant satisfactory to Landlords and Lender (as reasonably determined), the payment of all costs and expenses and the right to negotiate and consent to settlement. Landlords and Lender shall have the right to employ separate counsel at the sole cost and expense of Landlords and Lender in any such action, to participate in the defense thereof. Master Tenant shall not be liable for any settlement of any such action effected without its consent, which consent shall not be unreasonably withheld nor delayed, but if settled with the consent of Master Tenant or if there be a final judgment for the plaintiff in any such action, Master Tenant agrees to indemnify and hold harmless Landlords and Lender from and against any loss or liability by reason of such settlement or judgment.

14. **Quiet Enjoyment.**

(a) Landlords covenant and agree with Master Tenant that so long as Master Tenant is in material compliance with its obligations under this Lease, including the payment of the rent and the other payments required under this Lease and the observance and performance of the terms, covenants, and conditions on Master Tenant's part to be observed and performed in all material respects, Master Tenant may peaceably and quietly have, hold and enjoy the Leased Premises for the Term, subject to easements, agreements, restrictions, and covenants of record. The foregoing is subject to the rights reserved to Landlords.

(b) In the event that the principal or interest upon any Mortgage or any other payments required by such Mortgage or other loan documents to be made by Landlords shall at any time be overdue and unpaid, Master Tenant shall have the right, at its option, to pay such principal and interest to the Lender and to make all such other payments so in default, together with the interest or penalty, if any, by reason of such default; and in any such case Master Tenant will be subrogated to and be entitled to enforce all rights of the mortgagee against Landlords, and in addition will be entitled to deduct the amount of any and all such payments from the rent or any other amounts due, or which may become due, under this Lease until the full amount of any and all such payments and interest shall have been deducted and repaid to Master Tenant.

15. **Procurement of Insurance by Landlords.** In the event that Master Tenant fails to maintain any insurance as provided above in Section 4(m), Landlords may, at their option and upon such notice to Master Tenant as is reasonable under the circumstances, procure and maintain such insurance. Master Tenant agrees and covenants to pay any amounts so advanced therefor by Landlords, together with interest thereon at the prime rate of interest published in the Wall Street Journal plus five percent (5%), from the date thereof.

16. **Eminent Domain.** The proceeds of any condemnation award or other compensation paid by reason of a conveyance in lieu of the exercise of such power, with respect to the Leased Premises or any portion thereof shall be the property of the applicable Landlord. Master Tenant shall, however, be entitled to recover any amounts payable to it for moving expenses, loss of personal (moveable) property, the value of the leasehold estate (as separate from the fee estate), and the like so long as they do not affect such Landlord's award. Notwithstanding the foregoing, any such proceeds or compensation shall be applied in accordance with the Loan Documents and applicable HUD Program Requirements.

17. **Default and Remedies.**

(a) Events of Default. The following shall be events of default under this Lease (collectively, "**Events of Default**") following any applicable notice and cure period (subject, however, in all instances to the cure periods and other rights set forth in the Subordination Agreement):

- (i) the failure of Master Tenant to pay the Base Rent and other rental amounts when due hereunder and the continuation of such violation for ten (10) days after notice from the applicable Landlord to Master Tenant that the same is due and payable;
- (ii) if Master Tenant receives a state or federal notice of termination of license or "fast track" de-certification with respect to any Project and such notice has not been suspended, extended, withdrawn or terminated within the time period required by any governmental authority, or the effect thereof effectively stayed by legal challenge or appeal;
- (iii) the denial, refusal to issue, or loss of any material Permits and Approvals (as defined in the Tenant Regulatory Agreements) for any Project or if any such Permits or Approvals are at material risk of termination;
- (iv) the violation by Master Tenant of any other material term, covenant or condition of this Lease, the Tenant Regulatory Agreements or any other Loan Document to which Master Tenant is a party, and if such violation continues for thirty (30) days after written notice to Master Tenant or, if such event is not reasonably subject to cure within thirty (30) days, then if Master Tenant shall fail to commence such cure within thirty (30) days and thereafter diligently pursue the remedy of such violation until completion;
- (v) if Master Tenant shall (A) admit in writing its inability to pay its debts as they become due, (B) file a petition to be adjudicated a voluntary bankrupt in bankruptcy or a petition to otherwise take advantage of any federal or state bankruptcy or insolvency Law, (C) make an assignment for the benefit of its creditors or seek a composition with its creditors, or (D) consent to the appointment of a receiver of itself or of the whole or any substantial part of the Leased Premises; or
- (vi) If (A) Master Tenant shall, upon an involuntary petition under any section or chapter of the federal bankruptcy Laws filed against it, be adjudicated a bankrupt, or (B) a court of competent jurisdiction shall enter an order or decree appointing a trustee or receiver (interim or permanent) or appointing Master Tenant a debtor-in-possession, with or without the consent of Master Tenant, of the whole or any substantial part of the Leased Premises, or of the revenues from the operation of the Projects or the rights to receive the same, or approving a petition filed against Master Tenant seeking reorganization or an arrangement under the federal bankruptcy laws or any other applicable law or statute of the United States of America or any legal subdivision thereof, and such adjudication, order or decree is not dismissed or vacated within a period of sixty (60) days from the date thereof.

- (b) Remedies. During any Event of Default, the Master Tenant, upon demand of the applicable Landlord, shall forthwith surrender to such Landlord actual possession of the Leased Premises and such Landlord may enter and take possession of the Leased Premises and may exclude the Master Tenant, its agent and employees wholly therefrom. During any Event of Default the applicable Landlord shall be afforded any remedies provided at law, in equity, or under this Lease for breach of this Lease by Master Tenant and may, upon notice, do any or all of the following at the Master Tenant's risk:
- (i) re-enter and take possession of the Leased Premises or any portion thereof (subject to applicable law) without terminating this Lease, and lease the applicable Landlord's interest in such Leased Premises for the account of Master Tenant to any other party, holding Master Tenant liable for the difference between (A) the net proceeds to Landlord from such re-leasing and (B) the rent and other amounts payable by Master Tenant and due under this Lease, including the expenses of Landlords and Lender, including reasonable attorneys' fees, incurred in connection with such default;
 - (ii) terminate the Term, exclude Master Tenant from possession of the Leased Premises and lease such Landlord's interest in the Leased Premises for the account of Master Tenant, to any other party, holding Master Tenant liable for all rents and other amounts due under this Lease and not paid by such other party;
 - (iii) install a manager, management consultant or receiver of its choice (subject to applicable law), at Master Tenant's sole cost and expense, or re-enter the Leased Premises by summary proceedings or otherwise; or
 - (iv) take whatever action at law or in equity may appear necessary or desirable to collect the payment then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of Master Tenant under this Lease.
- (c) Cure by Landlords. Landlords may, if they so elect, cure such default at Master Tenant's expense, and Master Tenant agrees to reimburse Landlords (as additional rent hereunder) for all costs and expenses incurred as a result thereof upon demand.

18. **Transfers upon Termination or Expiration of Lease.**

- (a) **Transfer of Operations.**
 - (i) Upon the expiration or earlier termination of this Lease for any reason whatsoever (such date being referred to as the "**Closing Date**"), this Lease shall become and be construed as an absolute assignment for purposes of vesting in Landlords (or Landlords' designees) all of Master Tenant's

right, title, and interest in and to the following, to the extent assignable by law: (A) the Licenses, any Medicare or Medicaid provider agreements and any certificate of need, (B) all documents, charts, personnel records, patient records, and other documents relating to the Projects or operations at the Projects, (C) all existing agreements with residents of the Projects and any guarantors of such agreements and any and all patient trust fund accounts and (D) all other assignable intangible property not enumerated above that is now or in the future used in connection with the operation of the Projects. Master Tenant shall sign and deliver to Landlords any documents that may be reasonably necessary to transfer the foregoing to Landlords.

- (ii) If necessary for Landlords to operate the Projects, for the period commencing on the Closing Date and ending on the date that Landlords or their designees obtain all appropriate licenses and certifications required to operate the Projects as Medicaid and Medicare certified skilled nursing facilities, Landlords shall operate the Projects under management agreements with Master Tenant or Subtenants, with Landlords responsible for all costs of such operation (e.g., taxes, insurance, and maintenance).
- (iii) The assignments contained in this Section 18 shall not include any accounts receivable of Master Tenant relating to the Projects or payments due to or to be made to Master Tenant relating to the Projects under or relating to (A) any Medicare or Medicaid provider agreements relating to the Projects, (B) agreements with or on behalf of patients or residents of the Projects, (C) other similar contracts relating to the Projects (or any proceeds thereof) or (D) other rights to receive payment of any kind of Master Tenant with respect to the Projects.

(b) Transfer of Personal Property.

- (i) Landlords' Personal Property. Upon the expiration or termination of this Lease, Master Tenant shall leave all personal property leased to Master Tenant hereunder, as repaired, rebuilt, replaced, restored, altered or added to as permitted or required by provisions of this Lease, in or on the Leased Premises, except for ordinary wear and tear. Any and all restorations, alterations or replacements of, or repairs, reconstructions or additions to, the personal property at a Project made by Master Tenant shall become part of the applicable Landlords' personal property, and any and all security interests in such Landlords' personal property and financing statements shall be cleared, terminated or released to the satisfaction of such Landlords at Master Tenant's expense. Any of Master Tenant's additions of software, licenses, proprietary information, policies, and procedures by the Master Tenant shall not become part of the Landlords' personal property; provided, however, upon request of the applicable Landlords, in consideration of a payment by such Landlords or their designees of Ten Dollars (\$10.00) and any applicable lease, rent, or

license fees owed to any third parties during the Transition Period (hereinafter defined), Master Tenant shall license Landlords or their designee(s) to utilize Master Tenant's software and computer hardware for a period of ninety (90) days (the "***Transition Period***") in connection with the transition of operations from Master Tenant, or its Subtenants, to Landlords' new operator(s). To the extent Master Tenant or any Subtenants are obligated under license agreements with third party vendors supplying software or computer hardware to such Master Tenant or Subtenant, Master Tenant shall use its best efforts to arrange for the applicable Landlord to enter into licensing agreements with such third party vendors to allow such Landlord or its designee to utilize such software and computer hardware supplied by such third party vendors for the duration of the Transition Period.

- (ii) Master Tenant's Personal Property. At the expiration or termination of the Lease, the Landlords shall have the right to purchase all or a portion of Master Tenant's personal property located at the applicable Projects, or the personal property of the Subtenants located at such Projects, at its book value. To the extent any of Master Tenant's personal property is subject to an equipment lease, the applicable Landlords shall have the right to cause Master Tenant to pay in full all obligations under such equipment leases, or to assume some or all of such equipment leases at such Landlords' sole cost and expense and at no additional liability to Master Tenant.

- 19. **Signs.** Master Tenant shall have the right to erect and maintain, at its own expense, signs necessary or appropriate to the conduct of its business. Installation of signs outside the building shall be subject to the prior written approval of Landlords, which approval shall not unreasonably be withheld, conditioned or delayed.
- 20. **Surrender of Possession.** Except as otherwise expressly provided in this Lease, at the expiration or earlier termination of the Term, Master Tenant agrees to surrender possession of the Leased Premises peacefully and promptly to the applicable Landlords in as good a condition as at the commencement of the Term, loss by fire or other casualty covered by insurance, condemnation, or ordinary wear, tear, and obsolescence excepted.
- 21. **Estoppel Certificates.** Master Tenant agrees that upon request by Landlords, Lender or HUD, it will execute and deliver to Landlords, Lender, HUD and to such third party as is designated by Landlords, Lender or HUD, an estoppel certificate in form and substance satisfactory to Lender and HUD in their sole but reasonable discretion.
- 22. **Subtenant Guaranties.** Master Tenant agrees to cause all Subtenants to execute a Cross-Default Guaranty of Subtenants in favor of Master Tenant, in substantially the form attached hereto as Exhibit B.

23. **Notices.**

- (a) Method of Delivery for Notices. Each party giving or making any notice, request, demand or other communication (each, a “*Notice*”) pursuant to this Lease shall give the Notice in writing and use one of the following methods of delivery: personal delivery, Registered or Certified Mail (in each case, return receipt requested and postage prepaid), or by nationally recognized overnight courier (with all fees prepaid).
- (b) Addresses for Notice. Any party giving a Notice shall address the Notice to the appropriate person at the receiving party (the “*Addressee*”) at the address listed below or to another Addressee or address as designated by a party in a Notice pursuant to this Section 23.

If to Master Tenant, to: CJC Leasing, LLC
7201 Shallowford Road, Suite 200
Chattanooga, Tennessee 37421
Attention: President

If to Landlords, to: Name of Landlord
7201 Shallowford Road, Suite 200
Chattanooga, Tennessee 37421
Attention: President

- (c) Effectiveness of Notices. Except as may be provided elsewhere in this Lease, a Notice is effective only if the party giving the Notice has complied with Sections 23(a) and 23(b) above and if the addressee has received the Notice. A Notice is deemed to have been received upon (i) the date it was personally delivered, (ii) five (5) business days after mailed or (iii) two (2) business days after couriered.

24. **Single Indivisible Lease.** This Lease constitutes one indivisible lease of the Leased Premises and not separate leases governed by similar terms. The Leased Premises constitute one economic unit, and the Base Rent and all other provisions have been negotiated and agreed to based on a demise of all of the Leased Premises to Master Tenant as a single, composite, inseparable transaction, and the Base Rent and all other provisions would have been substantially different had separate leases or a divisible lease been intended. Except as expressly provided in this Lease for specific, isolated purposes (and then only to the extent expressly otherwise stated), all provisions of this Lease apply equally and uniformly to all of the Leased Premises as one unit. An Event of Default with respect to any Leased Premises is an Event of Default as to all of the Leased Premises. The parties intend that the provisions of this Lease shall at all times be construed, interpreted and applied so as to carry out their mutual objective to create an indivisible lease of all of the Leased Premises and, in particular but without limitation, that, for purposes of any assumption, rejection or assignment of this Lease under 11 U.S.C. Section 365, this is one indivisible and non-severable lease and executory contract dealing with one legal and economic unit and that this Lease must be assumed, rejected or assigned as a whole with respect to all (and only as to all) of the Leased Premises.

25. **Liability.** No member, manager, director, officer, shareholder, employee or agent of Master Tenant or its respective affiliates shall be held to any personal liability, jointly, or severally, for any obligation of, or claim against Master Tenant under this Lease. All persons dealing with Master Tenant, in any way, shall look only to the assets of Master Tenant for the payment of any sum or the performance of any obligations. No member, manager, director, officer, shareholder, employee or agent of Landlords or its respective affiliates shall be held to any personal liability, jointly, or severally, for any obligation of, or claim against Landlords under this Lease. All persons dealing with Landlords, in any way, shall look only to the assets of Landlords relating to the Project for the payment of any sum or the performance of any obligations
26. **Liability Limited to Interest in Leased Premises.** Landlords shall look solely to Master Tenant's interest in the Leased Premises leased by Master Tenant to satisfy any liability arising under this Lease, and Master Tenant shall look solely to the assets of Landlords relating to the Project to satisfy any liability arising under this Lease.
27. **Miscellaneous.**
- (a) Landlord/Tenant Relationship. It is expressly agreed and understood that Landlords shall not be construed or held to be partners, associates, or joint venturers with Master Tenant or any Subtenant, it being expressly understood and agreed that the sole relationship between the parties is that of landlord and tenant.
 - (b) Successors and Assigns. This Lease shall inure to the benefit of and shall be binding upon Landlords, Master Tenant and their respective successors and assigns.
 - (c) Severability. In the event any provision of this Lease shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision of this Lease.
 - (d) Counterparts. This Lease may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.
 - (e) Headings. The section headings in this Lease are inserted for convenience of reference only and are not intended to define or limit the scope of any provision of this Lease.
 - (f) Non-Waiver. It is understood and agreed that nothing contained in this Lease shall be construed as a waiver on the part of the parties, or any of them, of any right not explicitly waived in this Lease.
 - (g) Amendments. This Lease shall not be amended without the prior written consent of Landlords and Master Tenant and no such amendment shall be effective unless the same shall be in writing and executed by all parties hereto.

- (h) No Recording. Neither party shall record this Lease. At the request of Master Tenant or any Landlord, the parties shall execute and record a memorandum of lease.
- (i) Governing Law. The internal laws of the State of Tennessee shall govern as to the interpretation, validity and effect of this Lease, without regard to such state's choice of law principles.
- (j) Entirety of Agreement. This Lease embodies the entire agreement and understanding of the parties with respect to the subject matter hereof, and supersedes all prior leases, agreements, correspondence, arrangements and understandings relating to the subject matter hereof.
- (k) Compliance with Anti-Terrorism Laws. Master Tenant represents and warrants to Landlords that it is not, and, after making due inquiry, that no person who owns a controlling interest in or otherwise controls Master Tenant is, (i) listed on the Specially Designated Nationals and Blocked persons List (the "***SDN List***") maintained by the Office of Foreign Assets Control ("***OFAC***"), Department of the Treasury, and/or on any other similar list (collectively with the SDN List, the "***Lists***") maintained by the OFAC pursuant to any authorizing statute, Executive Order or regulation; or (ii) a person (a "***Designated Person***") either (A) included within the term "designated national" as defined in the Cuban Assets Control Regulations, 31 C.F.R. Part 515, or (B) designated under Sections 1(a), 1(b), 1(c) or 1(d) of Executive Order No. 13224, 66 Fed. Reg. 49079 (published September 25, 2001) or similarly designated under any related enabling legislation or any other similar Executive Orders. Master Tenant represents and warrants that it requires, and has taken reasonable measures to ensure compliance with the requirement, that no person who owns any other direct interest in Master Tenant is or shall be listed on any of the Lists or is or shall be a Designated Person. This Section 25(k) shall not apply to any person to the extent that such person's interest in Master Tenant is through a person (other than an individual) whose securities are listed on a national securities exchange, or quoted on an automated quotation system, in the United States, or a wholly-owned subsidiary of such a person.
- (l) Funds Invested in Master Tenant. Master Tenant represents and warrants that it has taken reasonable measures appropriate to the circumstances (and in any event as required by law), with respect to each holder of a direct or indirect interest in Master Tenant, to assure that funds invested by such holders in Master Tenant are derived from legal sources ("***Anti-Money Laundering Measures***"). The Anti-Money Laundering Measures have been undertaken in accordance with the Bank Secrecy Act, 31 U.S.C. §§ 5311 *et seq.* ("***BSA***"), and all Applicable Laws, regulations and government guidance on BSA compliance and on the prevention and detection of money laundering violations under 18 U.S.C. §§ 1956 and 1957 (collectively with the BSA, "***Anti-Money Laundering Laws***").

- (m) Master Tenant Compliance with Anti-Money Laundering Laws. Master Tenant represents and warrants to Landlords that it has taken reasonable measures appropriate to the circumstances (in any event as required by law), to ensure that Master Tenant is in compliance with all current and future Anti-Money Laundering Laws and laws, regulations and government guidance for the prevention of terrorism, terrorist financing and drug trafficking.
- (n) Civil Rights Compliance. The undersigned shall comply with all applicable statutory, regulatory, and executive orders requirements pertaining to civil rights, equal opportunity and non-discrimination, as those requirements now exist, or as they may be enacted, promulgated, or amended from time to time. These requirements include, but shall not be limited to, compliance with at least the following authorities: Title VIII of the Civil Rights Act of 1964, also known as the Fair Housing Act, (42 U.S.C. 3601-3619, 24 CFR Part 100); and, the Americans with Disabilities Act of 1990, (Pub. L. 101-336, approved July 26, 1990; 28 CFR Part 35).

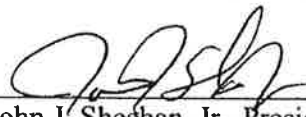
[SIGNATURES ON FOLLOWING PAGE]

**HUD FACILITIES MASTER LEASE AGREEMENT
SIGNATURE PAGE**

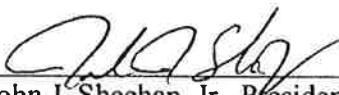
IN WITNESS WHEREOF, Landlords and Master Tenant have executed this Lease as of the date first above written.

LANDLORDS:


CELINA PROPERTY INVESTMENT, LLC,
a Tennessee limited liability company

By: 
John J. Sheehan, Jr., President

JONESBOROUGH PROPERTY INVESTMENT, LLC,
a Tennessee limited liability company

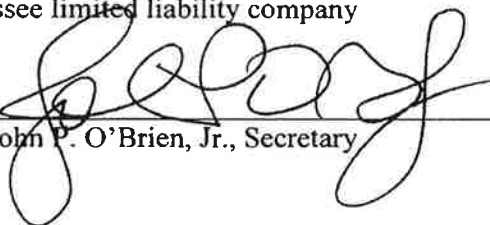
By: 
John J. Sheehan, Jr., President

GENERAL CARE OF CLARKSVILLE, LLC,
a Tennessee limited liability company

By: 
John J. Sheehan, Jr., President

TENANT:

CJC LEASING, LLC,
a Tennessee limited liability company

By: 
John P. O'Brien, Jr., Secretary

**SCHEDULE 1
TO
HUD FACILITIES MASTER LEASE AGREEMENT**

<u>Project Names</u>	<u>Locations</u>	<u>Landlords*</u>	<u>Subtenants*</u>	<u>FHA Project #</u>
Celina Health and Rehabilitation Center	Celina, TN	Celina Property Investment, LLC	Integrity Healthcare of Celina, LLC	086-22024
Four Oaks Health Care Center	Jonesborough, TN	Jonesborough Property Investment, LLC	Integrity Healthcare of Jonesborough, LLC	087-22021
Grace Healthcare of Clarksville	Clarksville, TN	General Care of Clarksville, LLC	Integrity Healthcare of Clarksville, LLC	086-22033

*Each a Tennessee limited liability company

EXHIBIT A-1
TO
HUD FACILITIES MASTER LEASE AGREEMENT
Legal Description of Celina Health and Rehabilitation Center

EXHIBIT A-2
TO
HUD FACILITIES MASTER LEASE AGREEMENT
Legal Description of Four Oaks Health Care Center

8

EXHIBIT A-3
TO
HUD FACILITIES MASTER LEASE AGREEMENT
Legal Description of Grace Healthcare of Clarksville

EXHIBIT B
TO
HUD FACILITIES MASTER LEASE AGREEMENT

Form of Cross-Default Guaranty of Subtenants

See attached.

CROSS-DEFAULT GUARANTY OF SUBTENANTS

This CROSS-DEFAULT GUARANTY OF SUBTENANTS (the "**Guaranty**") is made as of this the _____ day of _____, 2012, by each of the entities named as a Guarantor on Schedule 1 to this Guaranty (collectively, the "**Guarantors**" or the "**Subtenants**"), to and in favor of CJC LEASING, LLC, a Tennessee limited liability company ("**Master Tenant**").

Background:

Master Tenant is the tenant under that certain HUD Facilities Master Lease Agreement dated of even date herewith (the "**Master Lease**") pursuant to which Master Tenant leases three (3) nursing facilities from the three (3) entities designated as "Landlords" on Schedule 1 attached hereto and incorporated herein (collectively, the "**Landlords**"). Each of the Guarantors subleases from Master Tenant the nursing facility set forth opposite the Guarantor's name on Schedule 1, pursuant to a sublease of even date herewith (collectively, the "**Subleases**").

Master Tenant is not willing to accept the Subleases unless it receives a Guaranty by each of the Guarantors to the obligations of the other Guarantors under their respective Subleases, so that each Guarantor is jointly and severally liable with all other of the Guarantors for the obligations of each Guarantor under their respective Sublease.

Agreement:

In consideration of the foregoing and other good and valuable consideration, and intending to be legally bound, and to induce Master Tenant to enter into the Subleases as aforesaid, each Guarantor, jointly and severally, hereby covenants and agrees as follows:

1. **Guaranteed Obligations.** Each Guarantor hereby unconditionally, absolutely, and irrevocably guarantees to Master Tenant, its successors and assigns, the prompt payment when due and the full and faithful performance and observance by all Guarantors in their respective capacities as subtenants under their respective Subleases, of all of the terms, covenants, conditions, agreements, and obligations now or hereafter to be paid, performed, and observed by each Guarantor as the Subtenant under its respective Sublease, in each case in strict accordance with the terms of the Subleases (all such terms, covenants, conditions, agreements, and obligations being herein collectively referred to as the "**Sublease Obligations**" and agrees to pay on demand any and all expenses (including reasonable counsel fees and disbursements) incurred by Master Tenant in enforcing any rights under this Guaranty and under any and each Sublease ("**Expenses**" and, collectively with the Sublease Obligations, the "**Obligations**"). Without limiting the generality of the foregoing, each Guarantor's liability shall extend to all amounts which constitute part of the Obligations and would be owed by a Subtenant to Master Tenant under its Sublease but for the fact that they are unenforceable or not allowable due to the existence of a bankruptcy, reorganization, or similar proceeding involving a Subtenant.

2. **Unconditional And Absolute Guaranty.** Each Guarantor guarantees that the Sublease Obligations will be paid, performed and observed strictly in accordance with the terms of the Subleases. The obligations of each Guarantor under this Guaranty are independent of each such Guarantor's Sublease Obligations. The liability of each Guarantor under this Guaranty shall be absolute and unconditional, shall not be affected, released, terminated, discharged or impaired, in whole or in part, by, and Master Tenant may proceed to exercise any right or remedy hereunder, irrespective of:
- (a) any lack of genuineness, regularity, validity, legality or enforceability, or the voidability, of the Subleases or any other agreement or instrument relating thereto;
 - (b) any amendment, restatement, supplement, change or modification of the terms of any Sublease;
 - (c) any change in the time, manner or place of payment, performance or observance of all or any of the Obligations or any extensions of time for payment, performance or observance, whether in whole or in part, of the terms of the Sublease on the part of a Guarantor, as a Subtenant, to be paid, performed or observed, as applicable;
 - (d) any amendment or waiver of, or any assertion or enforcement or failure or refusal to assert or enforce, or any consent or indulgence granted by Master Tenant with respect to a departure from, any term of a Sublease, including, without limiting the generality of the foregoing, the waiver of any default by a Subtenant, or the making of any other arrangement with, or the accepting of any compensation or settlement from, a Subtenant;
 - (e) any failure or delay of Master Tenant to exercise, or any lack of diligence in exercising, any right or remedy with respect to a Sublease;
 - (f) any dealings or transactions between Master Tenant and a Subtenant, whether or not Guarantor shall be a party to or cognizant of the same;
 - (g) the exercise of any right or remedy under a Sublease, or the obtaining of any judgment against a Subtenant, or the taking of any action to enforce the same;
 - (h) any bankruptcy, insolvency, assignment for the benefit of creditors, receivership, trusteeship or dissolution of or affecting a Subtenant;
 - (i) any exchange, surrender or release, in whole or in part, of any security which may be held by Master Tenant at any time for or under the Lease or in respect of the Obligations;
 - (j) any other guaranty now or hereafter executed by a Guarantor or any other guarantor or the release of any other guarantor from liability for the payment, performance or observance of any of the Obligations or any of the terms of a

Sublease on the part of a Subtenant to be paid, performed or observed, as applicable, whether by operation of law or otherwise;

- (k) any rights, powers or privileges Master Tenant may now or hereafter have against any person, entity or collateral in respect of the Obligations;
- (l) Master Tenant's consent to any assignment or successive assignments of the Sublease by a Subtenant;
- (m) the failure to give Guarantor any notices whatsoever;
- (n) any other circumstance which might in any manner or to any extent constitute a defense (other than the defenses of prior payment or performance) available to a Subtenant, or vary the risk of a Guarantor, or might otherwise constitute a legal or equitable discharge or defense available to a surety or guarantor, whether similar or dissimilar to the foregoing;
- (o) any and all notice of the creation, renewal or extension of the Obligations and notice of or proof of reliance by the Landlords' lender ("**Lender**") on this Guaranty or acceptance of the Guaranty; or
- (p) the exercise of any right or remedy under a Sublease, or the obtaining of any judgment against a Subtenant, or the taking of any action to enforce the same;

all from time to time before or after any default by a Subtenant under a Sublease, and with or without further notice to or assent from Guarantors. This Guaranty shall continue to be effective or be reinstated, as the case may be, and the rights of Master Tenant hereunder shall continue upon the insolvency, bankruptcy or reorganization of a Subtenant, or for any other reason.

3. **Waivers.** Each Guarantor hereby waives:

- (a) notice of acceptance of this Guaranty and of any change in the financial condition of any Subtenant;
- (b) promptness, diligence, and presentment and demand for payment, performance or observance of any of the obligations;
- (c) protest, notice of dishonor, notice of default and any other notice with respect to any of the obligations under this Guaranty;
- (d) any demand for payment under this Guaranty;
- (e) any requirement that Master Tenant exhaust any right or remedy or take any action against a Subtenant or any collateral or other security available to it, and agrees that Master Tenant may enforce its rights hereunder without having recourse to any rights under any Sublease, and without taking any actions or

proceedings against a Subtenant, or any collateral or security for any of the obligations;

- (f) the right to interpose all substantive and procedural defenses of the law of guaranty, indemnification and suretyship, except the defenses of prior payment or prior performance by a Subtenant of the obligations which a Guarantors is called upon to pay or perform under this Guaranty;
 - (g) all rights and remedies accorded by applicable law to guarantors, or sureties, including, without being limited to, any extension of time conferred by any law now or hereafter in effect;
 - (h) the right to trial by jury in any action or proceeding of any kind arising on, under, out of, or by reason of or relating, in any way, to this Guaranty or the interpretation, breach or enforcement hereof;
 - (i) the right to interpose any setoff or counterclaim of any nature or description in any action or proceeding arising hereunder or with respect to this Guaranty; and
 - (J) any right or claim of right to cause a marshalling of the assets of a Subtenant or to cause Master Tenant to proceed against a Subtenant and/or any collateral or security held by Master Tenant at any time or in any particular order.
4. **Bankruptcy.** Without limiting a Guarantor's obligations elsewhere under this Guaranty, if a Subtenant, or a Subtenant's trustee, receiver or other officer with similar powers with respect to a Subtenant, rejects, disaffirms or otherwise terminates a Subtenant's Sublease pursuant to any bankruptcy, insolvency, reorganization, moratorium or any other law affecting creditors' rights generally, at Landlord's option, a Guarantor shall automatically be deemed to have assumed, from and after the date such rejection, disaffirmance or other termination of the Sublease is deemed effective, all obligations and liabilities of the Subtenant under the Sublease to the same extent as if a Guarantor had been originally named instead of the Subtenant as a party to the Sublease and the Sublease had never been so rejected, disaffirmed or otherwise terminated. Each Guarantor, upon such assumption, shall be obligated to perform and observe all of the obligations whether theretofore accrued or thereafter accruing and Guarantors shall be subject to any rights or remedies of Master Tenant which may have theretofore accrued or which may thereafter accrue against the Subtenant on account of any default under the Sublease, notwithstanding that such defaults existed prior to the date a Guarantor was deemed to have automatically assumed the Sublease or that such rights or remedies are unenforceable against the Subtenant by reason of such rejection, disaffirmance or other termination. Each Guarantor shall confirm such assumption at the request of Landlord upon or after such rejection, disaffirmance or other termination, but the failure to do so shall not affect such assumption. A Guarantor, upon the assumption of a Sublease, shall have all of the rights of the Subtenant under the Sublease (to the extent permitted by law). Neither a Guarantor's obligation to make payment in accordance with this Guaranty nor any remedy for the enforcement thereof shall be impaired, modified, changed, stayed,

released or limited in any manner by any impairment, modification, change, release, limitation or stay of the liability of a Subtenant or its estate in bankruptcy or any remedy for the enforcement thereof, resulting from the operation of any present or future provision of the Bankruptcy Code of the United States or other statute or from the decision of any court interpreting any of the same, and each Guarantor shall be obligated under this Guaranty as if no such impairment, stay, modification, change, release or limitation had occurred.

5. **Subrogation.** Each Guarantor hereby waives any and all rights of subrogation (if any) that it may have against a Subtenant as a result of actions taken or amounts paid in connection with or relating to this Guaranty or to the Sublease, until the Obligations are paid in full.
6. **No Demand.** In order to charge Guarantors under this Guaranty, no demand on Guarantors shall be required, no notice to Guarantors of any default under any of the terms of the Sublease on the part of a Subtenant to be paid, performed or observed shall be required, and the same shall not be affected by any agreement or stipulation extending the time of payment, performance or observance of or modifying the terms of the Sublease, Guarantors hereby expressly waiving any such demand or notice. Master Tenant, its successors and assigns, shall have the right to enforce this Guaranty without pursuing any rights or remedies of Master Tenant against a Subtenant, or any collateral or security Master Tenant may hold, it being intended that immediately upon any breach or default by a Subtenant in the payment, performance or observance of any term in its Sublease, Master Tenant can enforce its rights directly against Guarantor under this Guaranty. Master Tenant may commence any action or proceeding based upon this Guaranty directly against a Guarantor without making a Subtenant a party defendant in such action or proceeding. Any one or more successive or concurrent actions may be brought hereon against a Guarantor either in the same action, if any, brought against a Subtenant or in separate actions, as often as Master Tenant, in its sole discretion, may deem advisable.
7. **Payments.** Any and all amounts required to be paid by Guarantors hereunder shall be paid in lawful money of the United States of America and in immediately available funds to Landlord. All payments by Guarantors shall be made for the benefit of Master Tenant in accordance with the terms herein set forth without setoff or counterclaim. Master Tenant hereby directs Guarantors to make all payments under this Guaranty directly to Lender unless and until Lender directs Guarantors otherwise.
8. **Taxes.**
 - (a) Any and all payments made by Guarantors hereunder or under a Sublease (if a Sublease is assumed by a Guarantor pursuant to Section 4, above) shall be made free and clear of, and without deduction for, any and all present or future taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto (including, without limitation, penalties, interest, additions to tax and expenses) imposed by governmental entities, other than taxes on, or measured

by, Master Tenant's net or gross income imposed by the United States or any political subdivision thereof, or by any other jurisdiction in which Master Tenant is resident by reason of Master Tenant's organization or place of management and control (collectively, "*Income Taxes*") (all such taxes, levies, imposts, deductions, charges, withholdings and liabilities, excluding Income Taxes, being collectively called "*Taxes*").

- (b) Guarantors shall pay any present or future stamp or documentary taxes, intangible taxes or any other sales, excise or property taxes, charges or similar levies which arise from any payment made with respect to this Guaranty or a Sublease (if a Sublease is assumed by a Guarantor pursuant to Section 4), other than Income Taxes (collectively, "*Other Taxes*").
- (c) If Guarantors shall be required by law to deduct or withhold any Other Taxes from or in respect of any sum payable hereunder to Master Tenant, then:
 - (i) the sum payable shall be increased as may be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 8(a)(i)) Master Tenant shall receive an amount equal to the sum Master Tenant would have received had no such deductions been made;
 - (ii) A Guarantor shall make such deductions;
 - (iii) Guarantors shall pay the full amount deducted to the relevant taxation, or other, authority in accordance with applicable law; and
 - (iv) within ten (10) days after the date of such payment, Guarantors shall furnish to Master Tenant the original or a certified copy of a receipt evidencing such payment.
- (d) Each Guarantor agrees to indemnify, defend and hold Master Tenant, its successors and assigns, harmless from and against the full amount of Other Taxes (including any Other Taxes on amounts payable under this Section 8(d)) paid by Master Tenant with respect to any payment made by a Guarantor under this Guaranty, whether or not such Other Taxes were correctly or legally asserted. This indemnification shall be made from the date Master Tenant makes written demand therefor.
- (e) If a Guarantor makes an additional payment to, or for the account of, Master Tenant pursuant to Sections 8(b), (c) or (d), Guarantors shall pay to Master Tenant an amount equal to any increase in the Income Taxes, which Master Tenant certifies in good faith resulted or will result (after due consideration of any related tax benefits) from any additional payment by a Guarantor under Sections 8(b), (c) or (d) and any payment by a Guarantor under this Section 8(e).

- (f) Without prejudice to the survival of any other agreement or obligation of Guarantors under this Guaranty, the agreements and obligations of Guarantors under this Section 8 shall survive so long as any relevant limitations period with respect to any Tax or Other Tax remains open, without giving any effect to any agreement to the extension or waiver of the applicable statute of limitations or for fraud.
9. **Cure.** In the event a Guarantor shall pay any charge payable under a Sublease or shall perform or observe any covenant in a Sublease on the part of a Subtenant to be paid, performed or observed, as applicable, Master Tenant shall be deemed to and does hereby accept such payment, performance or observance, as applicable, as remedying the non-payment, non-performance or non-observance of the applicable covenant under the Sublease on the part of the Subtenant to be paid, performed or observed, as applicable.
10. **Waiver Of Rights Against Subtenant.** Each Guarantor hereby irrevocably waives any claim or other rights that it may now or hereafter acquire against a Subtenant that arises from the existence, payment, performance or enforcement of a Guarantor's obligations under this Guaranty or any other documents executed in connection therewith (collectively, the "**Guaranty Documents**"), including, without limitation, any right of subrogation (until the Obligations are paid in full), reimbursement, exoneration, contribution or indemnification and any right to participate in any claim or remedy of Master Tenant against a Subtenant, whether or not such claim, remedy or right arises in equity or under contract, statute or common law, including, without limitation, the right to take or receive from a Subtenant, directly or indirectly, in cash or other property or by set-off or in any other manner, payment or security on account of such claim, remedy or right. If any amount shall be paid to a Guarantor in violation of the preceding sentence at any time prior to the indefeasible cash payment in full of all amounts payable under this Guaranty, such amount shall be held in trust for the benefit of Master Tenant and shall forthwith be paid to Master Tenant to be credited and applied to all amounts payable under this Guaranty, whether matured or unmatured, in accordance with the terms of a Sublease and the Guaranty Documents, or to be held as collateral for any amounts payable under this Guaranty thereafter arising. Each Guarantor acknowledges that it has and will receive direct and indirect benefits from the Sublease and that the waiver set forth in this subsection is knowingly made in contemplation of such benefits.
11. **Amendments in Writing.** No amendment of this Guaranty shall be effective unless the same shall be in writing and signed by Master Tenant and Guarantor. No waiver of any provision of this Guaranty nor consent to any departure by a Guarantor therefrom shall in any event be effective unless the same shall be in writing and signed by Master Tenant, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. No delay on the part of Master Tenant in exercising any rights hereunder or failure to exercise the same shall operate as a waiver of such rights and no notice to or demand on a Guarantor shall be deemed to be a waiver of the obligations of Guarantors or of the right of Master Tenant to take further action without notice or demand.

12. **Cumulative Remedies.** All rights and remedies of Master Tenant under this Guaranty shall be cumulative and may be exercised singly or concurrently.
13. **Estoppel Certificate.** Each Guarantor agrees that it will, at any time and from time to time, within ten (10) days following request by Master Tenant, or by Landlord, execute and deliver to Master Tenant and Landlord a statement certifying that this Guaranty is unmodified and in full force and effect (or if modified, that the same is in full force and effect as modified and stating such modifications). Any such certificate required pursuant to this Section 13 shall be prepared by Master Tenant or a Landlord and delivered to a Guarantor for its execution and delivery.
14. **Successors and Assigns.** This Guaranty is a continuing guaranty and shall (a) remain in full force and effect until payment, performance and/or observance in full of the obligations and all other amounts payable under this Guaranty, (b) be binding upon each Guarantor, its successors and assigns, and (c) inure to the benefit of and be enforceable by Master Tenant and its successors, transferees and assigns or by any person to whom Master Tenant's interest in a Sublease may be assigned. Wherever in this Guaranty reference is made to Master Tenant or Subtenant, the same shall be deemed to refer also to the then successor or assign of Master Tenant or Subtenant. Notwithstanding anything herein to the contrary, in no event shall any of the members, managers, officers, trustee, principals or agents of any party hereto have any personal or individual liability hereunder.
15. **Governing Law.** This Guaranty was negotiated in the State of Tennessee, which State the parties agree has a substantial relationship to the parties and to the underlying transaction embodied hereby, and in all respects, including, without limiting the generality of the foregoing, matters of construction, validity and performance, this Guaranty and the obligations arising hereunder shall be governed by, and construed in accordance with, the laws of the State of Tennessee applicable to contracts made and performed in such State (without regard to principles of conflicts of laws) and any applicable law of the United States of America, except that at all times the provisions for the creation, perfection, and enforcement of the liens and security interests created pursuant hereto shall be governed by and construed according to the law of the state in which the applicable individual property is located, it being understood that, to the fullest extent permitted by the law of such state, the law of the State of Tennessee shall govern the construction, validity and enforceability of this Guaranty and all of the obligations arising hereunder. To the fullest extent permitted by law, Master Tenant hereby unconditionally and irrevocably waives any claim to assert that the law of any other jurisdiction governs this Guaranty and this Guaranty shall be governed by and construed in accordance with the laws of the State of Tennessee pursuant to Tennessee law.
16. **Venue.** Any legal suit, action or proceeding against Guarantor arising out of or relating to this Guaranty may at Master Tenant's option be instituted in any federal or state court in **Hamilton County, Tennessee**, pursuant to Tennessee law and Guarantor waives any objections that it may now or hereafter have based on venue or forum non conveniens of any such suit, action or proceeding, and Guarantor hereby irrevocably submits to the

jurisdiction of any such court in any suit, action or proceeding. Each Guarantor does hereby designate and appoint **John J. Sheehan, Jr.** as its authorized agent to accept and acknowledge on its behalf service of any and all process which may be served in any such suit, action or proceeding in any federal or state court in Tennessee, and agrees that service of process upon said agent at said address and notice of said service mailed or delivered to Guarantor in the manner provided herein shall be deemed in every respect effective service of process upon a Guarantor in any such suit, action or proceeding in the state of Tennessee. Each Guarantor (a) shall give prompt notice to Master Tenant of any changed address of its authorized agent hereunder, (b) may at any time and from time to time designate a substitute authorized agent with an office in Tennessee (which substitute agent and office shall be designated as the person and address for service of process), and (c) shall promptly designate such a substitute if its authorized agent ceases to have an office in Tennessee or is dissolved without leaving a successor.

17. **Partial Invalidity.** If any term, covenant, condition or provision of this Guaranty or the application thereof to any circumstance or to a Guarantor shall be invalid or unenforceable to any extent, the remaining terms, covenants, conditions and provisions of this Guaranty or the application thereof to any circumstances or to a Guarantor other than those as to which any term, covenant, condition or provision is held invalid or unenforceable, shall not be affected thereby and each remaining term, covenant, condition and provision of each, shall not be affected thereby and each remaining term, covenant, condition and provision of this Guaranty shall be valid and shall be enforceable to the fullest extent permitted by law.
18. **Headings; Construction.** The headings used in this Guaranty are for convenience only and are not to be considered in connection with the interpretation or construction of this Guaranty. This guaranty shall not be construed more strictly against one party than against the other, merely by virtue of the fact that it may have been prepared and drafted by counsel for one of the parties, it being recognized that both Guarantors and Master Tenant were represented by counsel and each have contributed substantially and materially to the preparation of this Guaranty. All uses of the word "including" shall mean "including, without limitation" unless the context shall indicate otherwise. Unless otherwise specified, the words "hereof", "herein" and "hereunder" and words of similar import when used in this Guaranty shall refer to this Guaranty as a whole and not to any particular provision of this Guaranty. Unless otherwise specified, all meanings attributed to defined terms herein shall be equally applicable to both the singular and plural forms of the terms so defined. The use of the term Guarantor herein shall be deemed to mean each Guarantor, all Guarantors and any Guarantor, as the context may require, in order that each Guarantor and all of the Guarantors, collectively, and except as expressly provided herein, jointly and severally shall pay and perform each and every obligation, covenant, term, condition and provision hereof.
19. **Statute of Limitations.** Each Guarantor acknowledges that the statute of limitation applicable to this Guaranty shall begin to run only upon Master Tenant's accrual of a cause of action against a Guarantor caused by a Guarantor's failure to honor a demand for payment or performance hereunder made by Master Tenant in writing; provided,

however, if, subsequent to the demand upon a Guarantor, Master Tenant reaches an agreement with a Subtenant or a Guarantor on any terms causing Master Tenant to forbear in the enforcement of its demand upon a Guarantor, the statute of limitation shall be reinstated and shall run for its full duration from such time that Master Tenant subsequently makes demand upon a Guarantor.

20. **Entire Agreement; No Oral Representations Limiting Enforcement, Etc.** This guaranty represents the entire agreement between the parties concerning the liability of a Guarantor for the Obligations, and any oral statements regarding a Guarantor's liability for the Obligation are merged herein. Each Guarantor understands that Master Tenant intends to rely upon and to enforce this Guaranty and that each Guarantor must not rely upon or believe that Master Tenant or any trustee, officer, director, agent, employee or representative of Master Tenant is authorized to make any statement or representation to the contrary. Master Tenant hereby disavows any such statement or representation by any person. Without limiting the foregoing, each Guarantor acknowledges Master Tenant's intention to enforce this Guaranty to the fullest extent possible and each Guarantor acknowledges that Master Tenant has made no oral statements to Guarantors that could be construed as a waiver of Master Tenant's right to enforce this Guaranty by all available legal means. Each Guarantor acknowledges that Guarantor has read each Sublease.

21. **Notices.**

- (a) Method of Delivery for Notices. Each party giving or making any notice, request, demand or other communication (each, a "**Notice**") pursuant to this Guaranty shall give the Notice in writing and use one of the following methods of delivery: personal delivery, Registered or Certified Mail (in each case, return receipt requested and postage prepaid), or by nationally recognized overnight courier (with all fees prepaid).
- (b) Addresses for Notice. Any party giving a Notice shall address the Notice to the appropriate person at the receiving party (the "Addressee") at the address listed below or to another Addressee or address as designated by a party in a Notice pursuant to this Section 21.

If to any Guarantor, to: Name of Guarantor
7201 Shallowford Road, Suite 200
Chattanooga, Tennessee 37421
Attention: President

If to Master Tenant, to: CJC Leasing, LLC
7201 Shallowford Road, Suite 200
Chattanooga, Tennessee 37421
Attention: President

- (c) Effectiveness of Notices. Except as may be provided elsewhere in this Agreement, a Notice is effective only if the party giving the Notice has complied with Sections 21(a) and 21(b) above and if the addressee has received the Notice. A Notice is deemed to have been received upon (i) the date it was personally delivered, (ii) five (5) business days after mailed or (iii) two (2) business days after couriered.
22. **Representation.** Each Guarantor acknowledges that it has read and fully understands each and every term, covenant, condition and provision of this Guaranty and that each Guarantor was represented by competent counsel in the negotiation, execution and delivery of this Guaranty.
23. **Joint and Several Liability.** Each party executing this Guaranty shall be jointly and severally liable hereunder as a Guarantor.
24. **Waiver of Right to Trial by Jury.** Each Guarantor and Master Tenant hereby agree not to elect a trial by jury of any issue triable of right by jury, and waives any right to trial by jury fully to the extent that any such right shall now or hereafter exist with regard to this Guaranty or any claim, counterclaim or other action arising in connection herewith. This waiver of right to trial by jury is given knowingly and voluntarily by Guarantor and Master Tenant, and is intended to encompass individually each instance and each issue as to which the right to a trial by jury would otherwise accrue. Master Tenant is hereby authorized to file a copy of this paragraph in any proceeding as conclusive evidence of this waiver by Guarantor.
25. **Acknowledgment of Assignment.** Each Guarantor acknowledges that this Guaranty is being assigned by Master Tenant to the Landlord, and further acknowledges and agrees that Landlord is further assigning this Guaranty to Landlord's lender, its successors and assigns.

[continued on following page]

IN WITNESS WHEREOF, each Guarantor has executed and delivered this Guaranty as of the date first above written.

GUARANTORS:

INTEGRITY HEALTHCARE OF CELINA, LLC,
a Tennessee limited liability company

By:

John J. Sheehan, Jr., Secretary

INTEGRITY HEALTHCARE OF JONESBOROUGH, LLC,
a Tennessee limited liability company

By:

John J. Sheehan, Jr., Secretary

INTEGRITY HEALTHCARE OF CLARKSVILLE, LLC,
a Tennessee limited liability company

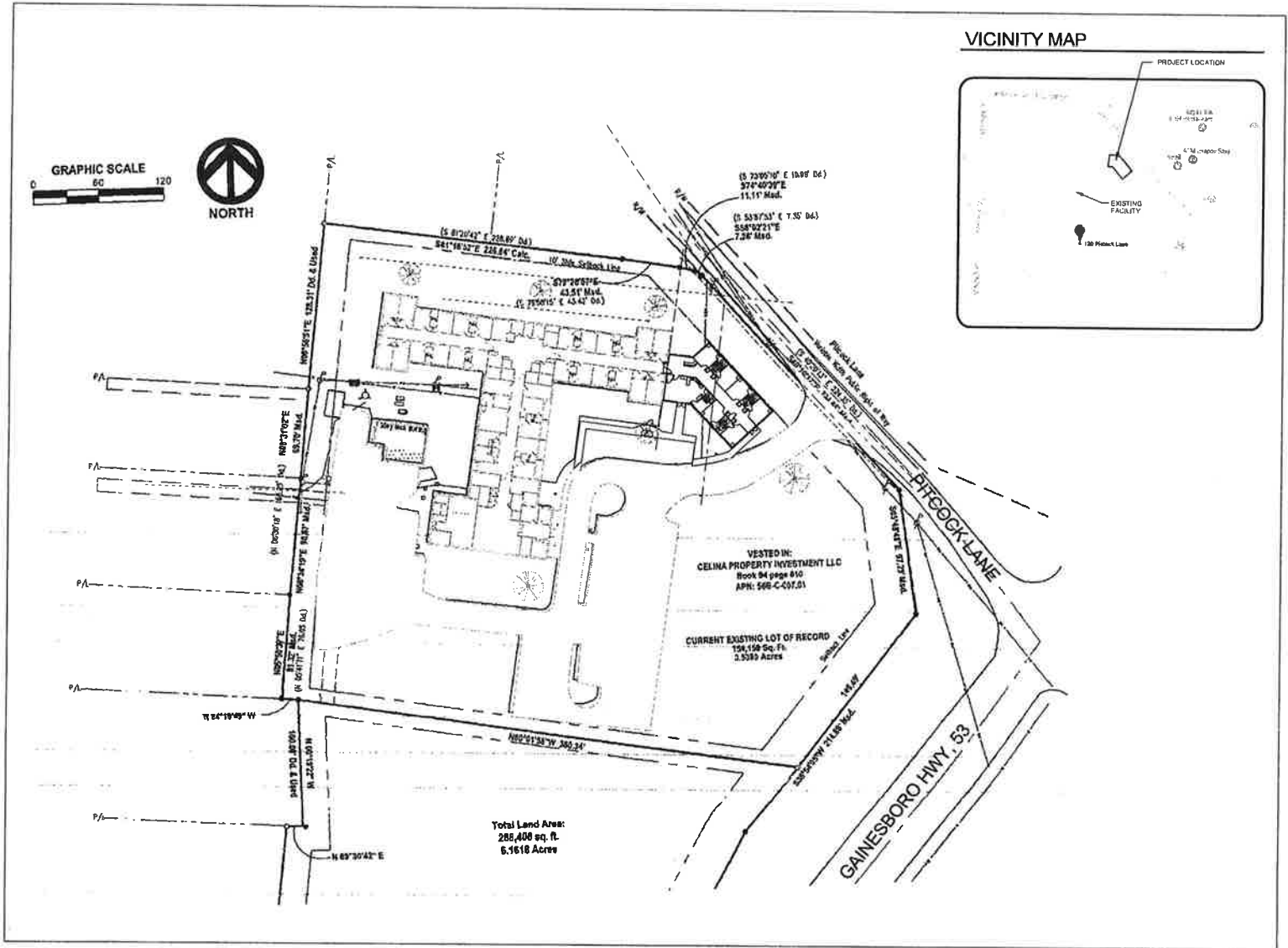
By:

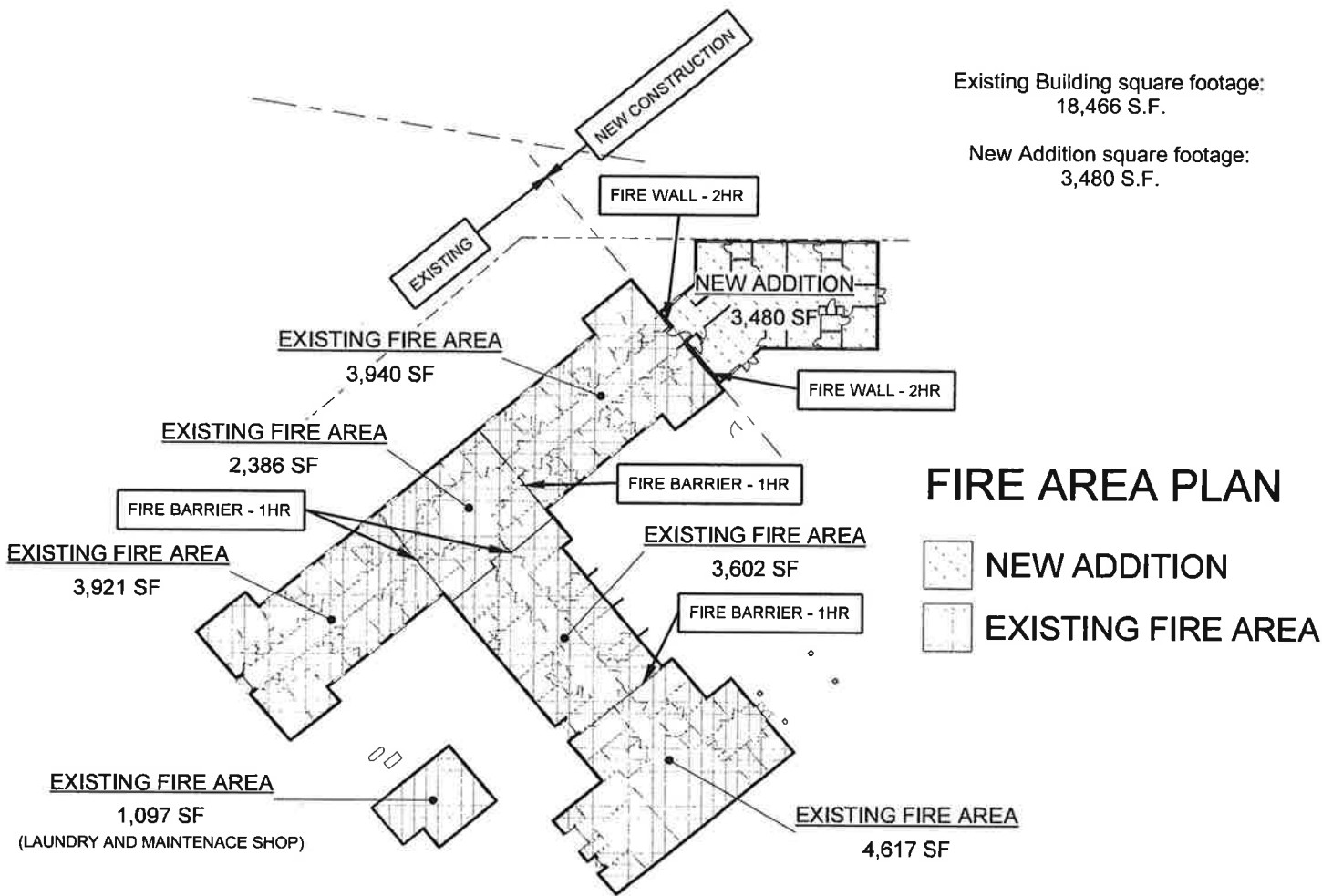
John J. Sheehan, Jr., Secretary

Schedule 1
to
Cross-Default Guaranty of Subtenants

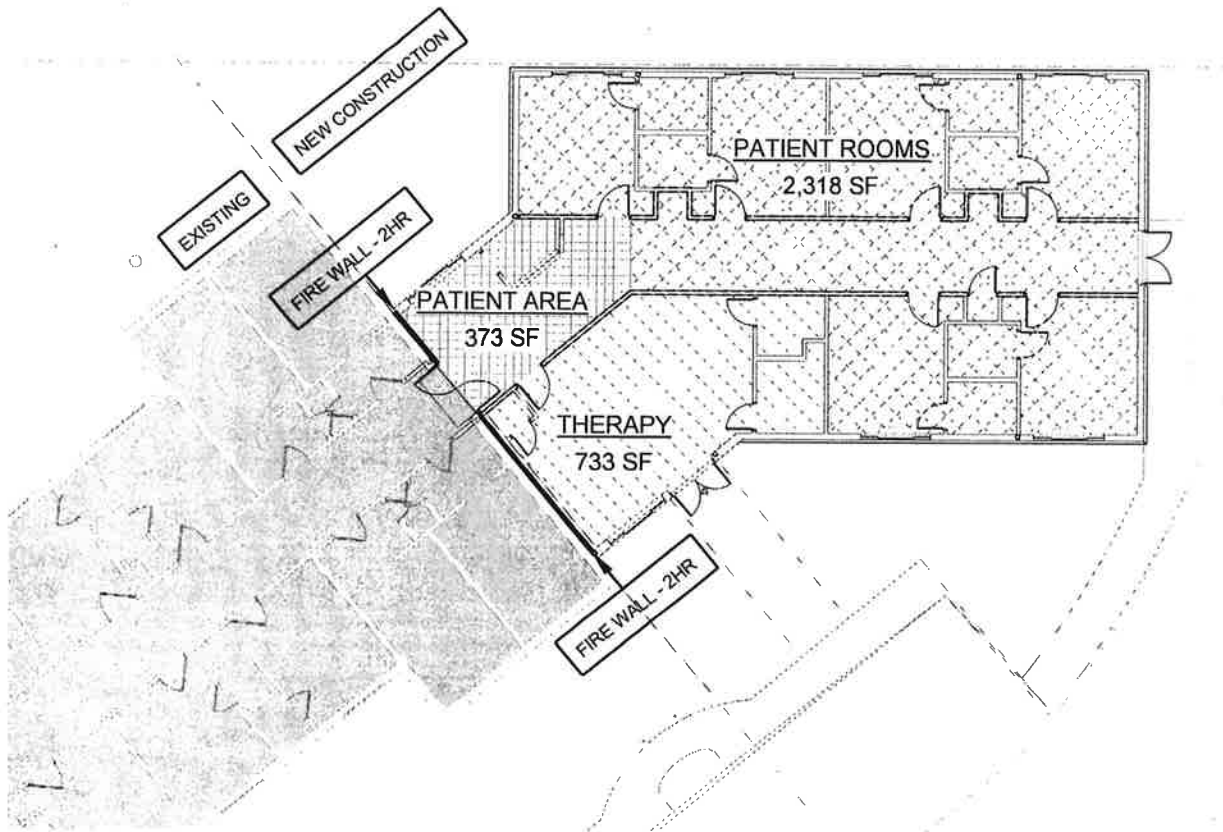
<u>Project Names</u>	<u>Locations</u>	<u>Landlords*</u>	<u>Subtenants*</u>	<u>FHA Project #</u>
Celina Health and Rehabilitation Center	Celina, TN	Celina Property Investment, LLC	Integrity Healthcare of Celina, LLC	086-22024
Four Oaks Health Care Center	Jonesborough, TN	Jonesborough Property Investment, LLC	Integrity Healthcare of Jonesborough, LLC	087-22021
Grace Healthcare of Clarksville	Clarksville, TN	General Care of Clarksville, LLC	Integrity Healthcare of Clarksville, LLC	086-22033

*Each a Tennessee limited liability company





FIRE AREA PLAN

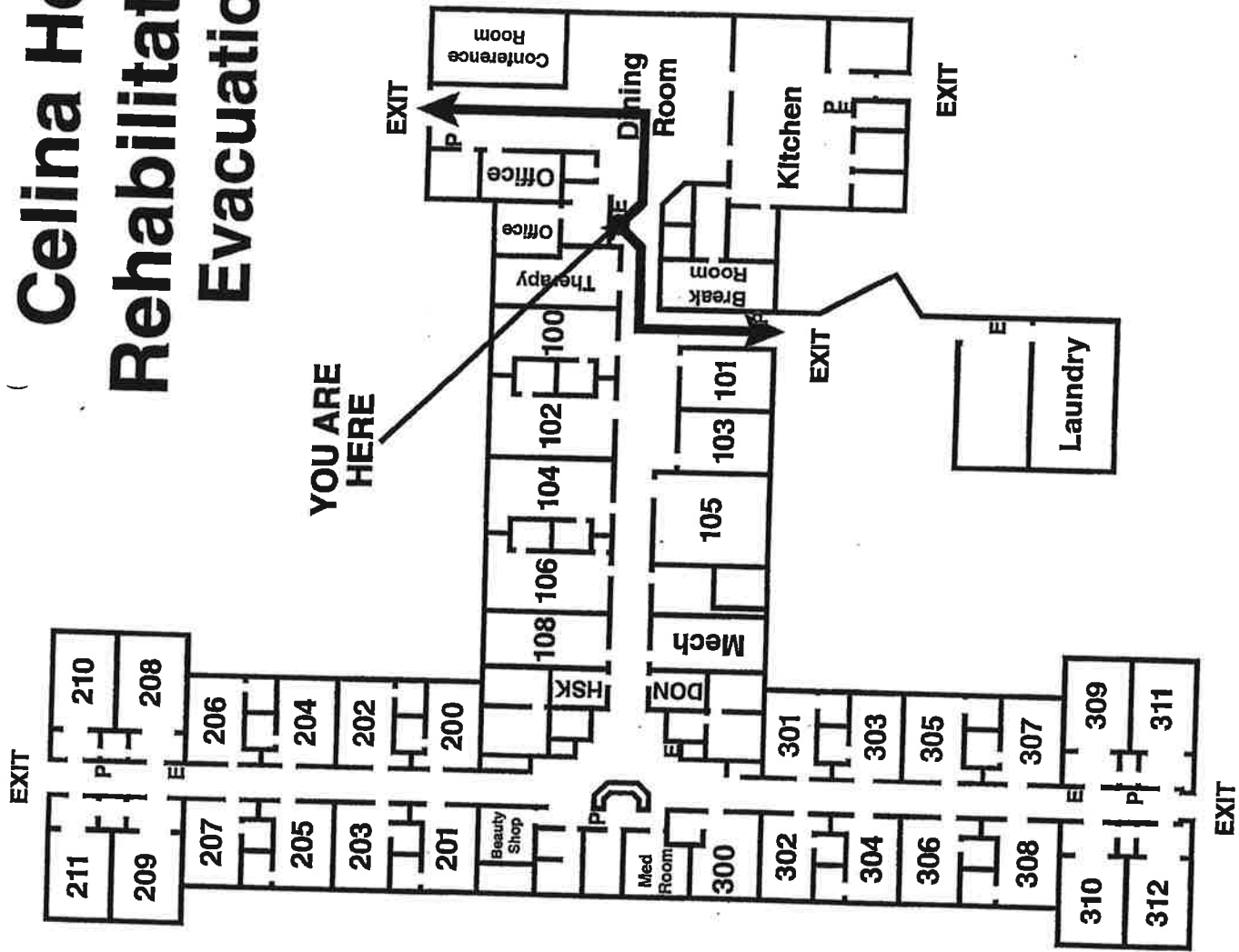


NEW STAFF / SUPPORT AREA: 347 s.f.
 NEW THERAPY AREA: 641 s.f.
 NEW PATIENT AREA: 2,244 s.f.
 OTHER GROSS SQUARE FEET: 248 s.f.
 TOTAL: 3,480 s.f.

NEW THERAPY AREA: 733 s.f.
 NEW PATIENT ACTIVITY AREA: 373 s.f.
 NEW PATIENT SLEEPING AREA: 2,318 s.f.
 OTHER GROSS SQUARE FEET: 82 s.f.
 TOTAL: 3,480 s.f.

Celina Health and Rehabilitation Center

Evacuation Routes



- B.** Describe the reasons for change in bed allocations and describe the impact the bed change will have on the applicant facility's existing services. **Attachment Section A-10.**

According to the December 2015 (latest) issuance of chart "Nursing Home Bed Need Based Upon Old Ratio Standards Methodology Used for Medicare Beds Need Calculations, by County and State Total, 2018" supplied by the Tennessee Department of Health, Division of Policy, Planning and Assessment, there is a need for eighty-eight (88) beds in Clay County by 2018. Currently, there are only sixty-six (66) beds, all at the Applicant's facility. All existing beds are dually certified, and all twelve (12) requested beds will also be dually certified. Our existing beds operated at 97.3% occupancy in 2016.

The only impact this requested bed change will have on our existing services will be to improve our ability to provide needed nursing services to our patients.

Nursing Home Services
Certificate of Need Standards and Criteria



STATE OF TENNESSEE

STATE HEALTH PLAN

CERTIFICATE OF NEED STANDARDS AND CRITERIA

FOR

NURSING HOME SERVICES

The Health Services and Development Agency (HSDA) may consider the following standards and criteria for applications seeking to provide nursing home services as defined by Tennessee Code Annotated (TCA) Section 68-11-201(28). Rationale statements are provided for standards to explain the Division of Health Planning's (Division) underlying reasoning and are meant to assist stakeholders in responding to these Standards and to assist the HSDA in its assessment of certificate of need (CON) applications. Existing providers of nursing home services are not affected by these Standards and Criteria unless they take an action that requires a new CON for such services.

These Standards and Criteria are effective immediately upon approval and adoption by the governor. However, applications to provide nursing home services that are deemed complete by the HSDA prior to the approval and adoption of these Standards and Criteria shall be considered under the Guidelines for Growth, 2000 Edition.

NOTE: TCA Section 68-11-1622 states that the HSDA "shall issue no certificates of need for new nursing home beds, including the conversion of hospital beds to nursing home beds or swing beds," other than a designated number of such beds per fiscal year, "to be certified as Medicare skilled nursing facility (SNF) beds...." Additionally, this statute states that the number of Medicare SNF beds issued under this section shall not exceed the allotted number of such beds per applicant. The applicant should also specify in the application the skilled services to be provided and how the applicant intends to provide such skilled services.

NOTE: An applicant that is not requesting a CON to add new nursing home beds shall have its application reviewed by the HSDA staff and considered by the HSDA pursuant to TCA Section 68-11-1609.

Rationale: This Note is included to assist potential applicants in understanding the distinction in the law between a CON application for new Medicare skilled nursing facility beds (including the conversion of hospital beds to nursing home beds or swing beds) and a CON application that does not propose new beds.

Definitions

Nursing Home: Shall have that meaning set forth in Tennessee Code Annotated Section 6811-201(28) or its successor.

Occupancy Rate: The number of patient days divided by the product of the number of licensed beds and the number of days in the calendar year. The Tennessee Department of Health (TDH) reports nursing home utilization data, including occupancy rates, on its website at: <http://health.state.trws/statistics/CertNeed.shtml>

Service Area: The county or counties represented on an application as the reasonable area in which a nursing home intends to provide services and/or in which the majority of its service recipients reside.

Standards and Criteria

1. Determination of Need.

The need for nursing home beds for each county in the state should be determined by applying the following population-based statistical methodology:

$$\begin{aligned}\text{Need} = & .0005 \times \text{population 65 and under, plus} \\ & .012 \times \text{population 65-74, plus} \\ & .060 \times \text{population 75-84, plus} \\ & .150 \times \text{population 85 +}\end{aligned}$$

Rationale:

The Division has analyzed the existing Guidelines for Growth compared with the statewide utilization percentages as well as occupancy rates from the nursing home Joint Annual Reports (JARs) for 2012 and has determined that grounds to update the percentages are not sufficient to justify revision of the formula. While input from stakeholders supports that the existing formula is adequate to address statewide nursing home need at present, stakeholder input further suggests that this formula may require re-evaluation based on the impact of factors such as patient participation in the TennCare CHOICES program authorized by the Long Term Care Community Choices Act of 2008, the change in Nursing Facility Level of Care Criteria for TennCare recipients in 2012, and other reimbursement and policy changes. The Division will assess the adequacy of the formula as circumstances concerning nursing homes develop.

County utilization does, of course, differ among the counties' age cohorts, and depends largely upon the availability of nursing home services as well as the availability of reimbursement for those services. The Division believes the criterion regarding the Average Daily Census of existing nursing homes in a Service Area, set forth in No. 4 will help balance any need "overstatements" that the formula might calculate.

Research published by the Henry J. Kaiser Family Foundation in 2013 (<http://kff.org/medicaid/fact-sheet/overview-of-nursing-facility-capacity-financing-and-ownership-in-the-united-states-in-2011/>) shows that a majority of people over the age of 65 will need long-term care services for an average of three years, and 20 percent of people will need more than five years of services. The percentage of the population over the age of 65 is expected to increase as the "baby boom" generation ages, and specifically the number of people 85 and older is expected to grow significantly. Tennessee's population projections are in-line with those reported nationally, if not slightly higher, for these age groups. How best to determine sufficient capacity to accommodate long-term care user choice in both institutional and community-based settings will continue to be a challenge for policy makers.

The Division recognizes that, increasingly, nursing homes are impacted by the decreases in reimbursement rates, the focus on shorter stays, and the encouragement by policies for nursing care to be provided elsewhere in the community or in the home. The result has been an overall decline in occupancy rates and an increase in the level of care required by nursing home patients.

As requested by stakeholders, the Division commits to making available to applicants a standard chart of the results of the need formula for each county as data are verified, finalized, and made available by the TDH.

RESPONSE: The Division has determined that the need for nursing home beds in Clay County is 88 beds. The Applicant currently operates a 66 bed facility, which has been operating at 95.7%, 93.9%, and 97.3% during 2014, 2015, and 2016, respectively. The increase in occupancy rate indicates a need for more beds

2. **Planning horizon:** The need for nursing home beds shall be projected two years into the future from the current year.

Rationale: The current Guidelines for Growth use a two year planning horizon; after consideration of the impact of a three year planning horizon, the Division believes a three year planning horizon has the potential to overstate need.

RESPONSE: The Division's projection of need is for 2019, two years into the future.

- 3. Establishment of Service Area:** A majority of the population of the proposed Service Area for any nursing home should reside within 30 minutes travel time from that facility. Applicants may supplement their applications with sub-county level data that are available to the general public to better inform the HSDA of granular details and trends; however, the need formula established by these Standards will use the latest available final JAR data from the Department of Health. The HSDA additionally may consider geographic, cultural, social, and other aspects that may impact the establishment of a Service Area.

Rationale: The current Guidelines for Growth also state that a majority of the population of a service area should reside within 30 minutes travel time. In many cases it is likely that a proposed nursing home's service area could draw much more significantly from a specific area of a county. However, utilization data—which are critical to the need formula—are available from the Department of Health only at the county level. When available, the Division would encourage the use of sub-county level data that are available to the general public (including utilization, demographics, etc.) to better inform the HSDA in making its decisions. Because nursing home patients often select a facility based on the proximity of caregivers and family members, as well as the proximity of the facility, factors other than travel time may be considered by the HSDA.

RESPONSE: The facility's existing primary service area is Clay County, Tennessee. Approximately 72.4% of the facility's patients from Tennessee originate from Clay County, and the next highest geographic area of patient origination is Kentucky. Approximately 75.8% of the facility's total patients originate from Clay County, Tennessee and Kentucky.

- 4. Existing Nursing Home Capacity:** In general, the Occupancy Rate for each nursing home currently and actively providing services within the applicant's proposed Service Area should be at or above 90% to support the need for any project seeking to add new nursing home beds within the Service Area and to ensure that the financial viability of existing facilities is not negatively impacted.

When considering replacement facility or renovation applications that do not alter the bed component within the Service Area, the HSDA should consider as the primary factor whether a replacement facility's own occupancy rate could support its economic feasibility, instead of the occupancy rates of other facilities in the Service Area.

Rationale: The words "In general" are specifically included in this Standard because several factors contribute to the ability of existing nursing homes to meet need, including in particular the designation of beds by payer mix and the specific services provided. Private insurance, Medicaid (TennCare), and Medicare reimburse services at different rates and for different purposes and lengths of stay. An applicant may be able to make a case for licensed beds if, for example, specific ancillary services or bed types are lacking in a proposed Service Area, whether or not all nursing homes in a Service Area have Occupancy Rates at or above 90%. A preference should be provided to an applicant wishing to provide Medicaid (TennCare) beds. The Division is of the opinion that the following types of

applications seek to increase/alter the number of nursing home beds within a Service Area:

- a. An applicant seeks to add new nursing home beds;
- b. An applicant seeks to relocate an existing facility to a new Service Area;
- c. An applicant seeks to establish a new facility not currently operating (i.e., does not seek a replacement of an existing, operating facility); and
- d. An applicant seeks to take a single existing licensed facility and divide its bed component into more than one licensed facility (this last application type should not be viewed as merely a replacement of an existing facility, and usually requires legislation authorizing this division of beds).

RESPONSE: The Applicant currently operates a 66 bed facility, which has been operating at 95.7%, 93.9%, and 97.3% during 2014, 2015, and 2016, respectively. The Applicant is the only nursing home in the county.

- 5. Outstanding Certificates of Need:** Outstanding CONs should be factored into the decision whether to grant an additional CON in a given Service Area or county until an outstanding CON's beds are licensed.

Rationale: This Standard is designed to ensure that the impact of a previously approved CON for the provision of nursing home services in a given service area is taken into consideration by the HSDA.

RESPONSE: There are no outstanding CONs in the service area.

- 6. Data:** The Department of Health data on the current supply and utilization of licensed and CON-approved nursing home beds should be the data source employed hereunder, unless otherwise noted.

Rationale: Using one source for data is the best way to ensure consistency across the evaluation of all applications. The Division believes the TDH's data should be relied upon as the primary source of data for CON nursing home services applications.

RESPONSE: The Applicant has utilized the Department of Health as its only source for supply and utilization of nursing home beds.

- 7. Minimum Number of Beds:** A newly established free-standing nursing home should have a sufficient number of beds to provide revenues to make the project economically feasible and thus is encouraged to have a capacity of least 30 beds. However, the HSDA should consider exceptions to this standard if a proposed applicant can demonstrate that economic feasibility can be achieved with a smaller facility in a particular situation.

Rationale: Quality of care is impacted by the relationship between facility size and the appropriate staffing of the facility. Assuming appropriate staffing exists, the HSDA should

consider each applicant's circumstances individually regarding facility size. The Division's research in Tennessee indicates that 90-120 licensed beds may be an optimal range for ensuring both economic feasibility and the delivery of quality care. However, exceptions to this general range are certain to arise.

Two examples of such circumstances could be: 1) When a newly proposed facility is planned in conjunction with an existing continuum of services, such as the development of a continuing care campus or other type of multiple service provider, in which case a smaller number of beds may be justified; and 2) If the existing resources in a sparsely populated rural area are not sufficient and new nursing homes are needed, a smaller facility may be justified as compared to a larger facility. The State Health Plan encourages the HSDA to evaluate such applications carefully to ensure that they propose to provide services adequately to a broad population.

RESPONSE: The Applicant operates a 66 bed facility, and this application is for an additional 12 beds.

- 8. Encouraging Facility Modernization:** The HSDA may give preference to an application that:
- a. Proposes a replacement facility to modernize an existing facility.
 - b. Seeks a certificate of need for a replacement facility on or near its existing facility operating location. The HSDA should evaluate whether the replacement facility is being located as closely as possible to the location of the existing facility and, if not, whether the need for a new, modernized facility is being impacted by any shift in the applicant's market due to its new location within the Service Area.
 - c. Does not increase its number of operating beds.

In particular, the HSDA should give preference to replacement facility applications that are consistent with the standards described in TCA §68-11-1627, such as facilities that seek to replace physical plants that have building and/or life safety problems, and/or facilities that seek to improve the patient-centered nature of their facility by adding home-like features such as private rooms and/or home-like amenities.

Rationale: The aging of nursing home facilities is an increasing concern within the industry. This standard seeks to provide support for an existing nursing home to modernize/update its facilities.

RESPONSE: The addition will be designed to meet the 2010 ADA standards, the current FGI Guidelines for Design & Construction of Health Care Facilities, and all applicable local, state and federal codes and standards.

- 9. Adequate Staffing:** An applicant should document a plan demonstrating the intent and ability to recruit, hire, train, assess competencies of, supervise, and retain the appropriate
-

numbers of qualified personnel to provide the services described in the application and that such personnel are available in the proposed Service Area. However, when considering applications for replacement facilities or renovations of existing facilities, the HSDA may determine the existing facility's staff would continue without significant change and thus would be sufficient to meet this Standard without a demonstration of efforts to recruit new staff.

RESPONSE: All additional staff (approximately 12 FTEs) will be hired locally, and the Applicant is committed to staff training and education.

- 10. Community Linkage Plan:** The applicant should describe its participation, if any, in a community linkage plan, including its relationships with appropriate health care system providers/services and working agreements with other related community services to assure continuity of care. If they are provided, letters from providers (including, e.g., hospitals, hospice services agencies, physicians) in support of an application should detail specific instances of unmet need for nursing home services.

Rationale: Coordinated, integrated systems of care may not be in place in much of rural Tennessee, and therefore this language has been deleted. Additionally, the Division recognizes that nursing homes may not be the primary drivers of community linkage plans, and the Division does not mean to suggest that an applicant should develop one itself; instead it should provide information on its participation in a community linkage plan, if any. However, the Division recognizes that hospitals, particularly rural ones, often encounter difficulties in discharge planning to nursing homes due to a lack of available beds. CON applications for new nursing home beds should therefore also provide letters from hospitals, hospice service agencies, physicians, or any other appropriate providers, to provide evidence of unmet need and the intent to meet that need.

RESPONSE: The facility has working agreements/arrangements with the following facilities:

Cookeville Regional Medical Center
Cumberland River Hospital
Erlanger Health System
Livingston Regional Hospital
Monroe County Medical Center
St. Thomas Hospital
Vanderbilt University Medical Center.

- 11. Access:** The applicant should demonstrate an ability and willingness to serve equally all of the Service Area in which it seeks certification. In addition to the factors set forth in

HSDA Rule 0720-11-.01(1) (listing the factors concerning need on which an application may be evaluated), the HSDA may choose to give special consideration to an applicant that is able to show that there is limited access in the proposed Service Area. However, an applicant should address why Service Area residents cannot be served in a less restrictive and less costly environment and whether the applicant provides or will provide other services to residents that will enable them to remain in their homes.

RESPONSE: The Applicant remains committed to serving all patients who present for care, and who qualify for such care. The facility has not refused care to patients.

12. Quality Control and Monitoring: The applicant should identify and document its existing or proposed plan for data reporting, quality improvement, and outcome and process monitoring systems, including in particular details on its Quality Assurance and Performance Improvement program as required by the Affordable Care Act. As an alternative to the provision of third party accreditation information, applicants may provide information on any other state, federal, or national quality improvement initiatives. An applicant that owns or administers other nursing homes should provide detailed information on their surveys and their quality control programs at those facilities, regardless of whether they are located in Tennessee.

Rationale: This section supports the State Health Plan's Principle No. 4 for Achieving Better Health regarding quality of care. Typically, nursing homes are not accredited by the Joint Commission or other accrediting bodies; applicants instead are asked and encouraged to provide information on other quality initiatives. The intent of this alternative is to permit the applicant to show its commitment to, as well as its performance regarding, quality control and improvement. Surveys and quality control programs at sister facilities may provide an indication of future quality performance at the applicant's proposed facility and are relevant to the HSDA's assessment of the application.

RESPONSE: The Applicant already complies with all existing reporting requirements, and will report annually using forms prescribed by the Agency concerning continued need and appropriate quality measures as determined by the Agency pertaining to the certificate of need, if approved.

13. Data Requirements: Applicants should agree to provide the TDH and/or the HSDA with all reasonably requested information and statistical data related to the operation and provision of services at the applicant's facility and to report that data in the time and format requested. As a standard of practice, existing data reporting streams will be relied upon

and adapted over time to collect all needed information.

RESPONSE: The Applicant already complies with all existing reporting requirements, and will report annually using forms prescribed by the Agency concerning continued need and appropriate quality measures as determined by the Agency pertaining to the certificate of need, if approved.

14. Additional Occupancy Rate Standards:

- a. An applicant that is seeking to add or change bed component within a Service Area should show how it projects to maintain an average occupancy rate for all licensed beds of at least 90 percent after two years of operation.
- b. There should be no additional nursing home beds approved for a Service Area unless each existing facility with 50 beds or more has achieved an average annual occupancy rate of 90 percent. In determining the Service Area's occupancy rate, the HSDA may choose not to consider the occupancy rate of any nursing home in the proposed Service Area that has been identified by the TDH Regional Administrator as consistently noncomplying with quality assurance regulations, based on factors such as deficiency numbers outside of an average range or standards of the Medicare 5 Star program.
- c. A nursing home seeking approval to expand its bed capacity should have maintained an occupancy rate of 90 percent for the previous year.

Rationale: The Division believes reducing the occupancy rates from 95 to 90 percent in numbers 14b and 14c more accurately reflects overall occupancy in the state, and also would take into consideration some increasing vacancy rates that current nursing homes may be experiencing due to decreasing admissions overall and increasing patient turnover due to short-stay patients.

RESPONSE: (a) The Applicant has projected an overall occupancy rate over 90% within 2 years of completion of this addition; (b) The Applicant is the only nursing home in the County, and it has operated in excess of 90% for several years; and (c) the facility operated at 97.3% in 2016.

HF-0004 Revised 12/2016 – All forms prior to this time are obsolete.





Attachment B.Need.D.1.a Middle Tennessee Industrial Development Association 2017 Community Data Profile



CELINA Clay County

QUICK FACTS

County Seat: Celina
Area in Square Miles (County): 233
Elevation: 550'
Market Region: Cookeville
Time Zone: Central
City Website: None at this time
County Website: www.dalehollowlake.org
Additional Incorporated Cities within the County: None.
Unincorporated Cities: Moss

Year Incorporated: 1846
Latitude: N36° 33.01'
Longitude: W85° 30.31'
Distance From Nashville: 100 miles

POPULATION

	City	County
2000 (Census)	1,384	7,976
2010 (Census)	1,495	7,861
Estimated July 1, 2015	1,494	7,771
¹ Population Projection 2020	1,390	7,875
Percent Population Change		
2000 – 2010	8.0 %	-1.4 %

Source: U.S. Census Bureau

¹Source: University of TN Center for Business & Economic Research

CLIMATE

Annual Average Temperature: 57.0° F
Average High Temperature: 59.9° F
Average Low Temperature: 44.2° F
Annual Average Precipitation: 53.50"
Annual Average Snowfall: 3"
Prevailing Winds: Southerly
Mean Length of Freeze-Free Period (days): 180-220

TAX STRUCTURE

LOCAL

	City	County
Property Taxes: (2016)		
Rate per \$100 value	\$ 0.8732	\$ 3.10
Ratio of Assessment:		
Residential and Farm	25 %	25 %
Commercial/Industrial	40 %	40 %
Personal (Equipment)	30 %	30 %
Bonded Debt (2016)	\$ 3,657,445	\$ 5,452,000
Total Local Assessment (2015)	\$ 18,384,085	\$ 104,331,029
Hotel-Motel Tax	0 %	2.50 %

Source: Tennessee Comptroller of the Treasury, Division of Property Assessments

STATE

Sales Tax 5% tax on food and food ingredients; 7% on all other tangible personal property unless specifically exempted.

Local Sales Tax Rate 2.75 %

Local & State Sales Tax Collected (FY2016): \$ 3,930,847

Income Tax

- **Personal:** 6 % on Interest & Dividends
- **Corporate Excise Tax:** 6.5% of Tennessee taxable income
- **Franchise Tax:** .25% of the greater of net worth or real and tangible property in Tennessee. The minimum tax is \$100.
- **Unemployment Tax:** New Employers 2.7% of first \$9,000

Source: Tennessee Department of Revenue

EDUCATION

District Name: Clay County
 District Grades Served: PreK-12
 Number of Teachers: 78
 Total Number of Students: 1,060

Number of Schools: 4
 Number of Administrators: 13

Grades:

PreK-8: 209
 K-8: 602
 9-12: 304

Number of High School Graduates (2015-16): 53
 Graduation Rate: 96.3 %

Source: Tennessee Department of Education (October 2016)

<u>Regional Higher Education Institutions</u>	<u>City</u>
TN College of Applied Technology	Livingston
Tennessee Technological University	Cookeville
Volunteer State Community College	Livingston

Source: www.tnecd.com/county-profiles/

State Industrial Training Service Available: Yes
 Type of Public School System: County

GOVERNMENT

Governing Body:

City: Mayor and Aldermen	
Meets: 2nd Tuesday	Time: 5:00 p.m.
Place: City Hall	
County: Mayor and County Commissioners	
Meets: 1st Monday	Time: 6:30 p.m.
Place: Courtroom in County Complex Building	

Fire Department:

full-time fire fighters in city: 0	city volunteers: 24
full-time fire fighters in county: 0	county volunteers: 175
fire stations in city: 1	city fire trucks: 3
fire stations in county: 9	county fire trucks: 38

Law Enforcement:

full-time police officers in city: 6	
full-time police officers in county & sheriff: 15	
city patrol cars: 7	county patrol cars: 15
State Troopers: 3	

	<u>City:</u>	<u>County:</u>
Insurance Rating:	4	6-9
Zoning Regulations:	No	No
Planning Commission:	Yes	Yes
Industrial Development Corp:	Yes	Yes

TRANSPORTATION

AIR SERVICE:

Nearest General Aviation:

Livingston Municipal Airport
 Location Identifier: 8A3
 Distance from City: 17 miles
 Runway Length: 5,152 feet
 Surface: Asphalt
 Lighting: MIRL/VASI
 Fuel: 100LL
 Repair: Minor
 Transportation: Taxi

Nearest Commercial Service:

Nashville International Airport
 Location Identifier: BNA
 Distance from Celina: 91 miles
 Served by 10 major air carriers, 3 cargo carriers, and 2 fixed-base operators; serving 70 markets, 50 non-stops, 390 daily flights (2015).

HIGHWAYS:

U.S Highways:
 State Highways: 52 and 53
 Nearest Interstate: 38 miles to access Interstate 40

COMMON CARRIERS:

Air Freight Companies: None
 Motor Freight Companies: 15
 Terminal Facilities: None
 Bus Services – Inter-City: Yes
 Local: No Carrier Service: Yes

RAILROADS SERVED BY:

None

NAVIGABLE WATERWAYS:

River: Cumberland	Channel Depth: 9 feet
Nearest Port Facility: Nashville	Miles: 97

COMMUNICATIONS

Newspapers:

Citizen Statesman
 The Tennessean
 The Horizon

Frequency:

Weekly
 Daily
 Weekly

Telephone Companies: Twin Lakes Telephone Cooperative
 Radio Stations: 1 local
 Television Networks: 1
 Cable Service Available: Yes Channels: 80+
 Provider: Celina Cable Communications, Inc.
 Internet Service Available: Yes
 Provider: Twin Lakes Telephone Cooperative and Info-Ed, Inc.
 Fiber Optics Available: undisclosed
 Provider: undisclosed

COMMUNITY FACILITIES

Health Care:

Doctors: 6 Dentists: 2

Hospitals: 1	Beds: 36
Clinics: 4	Beds: N/A
Nursing Homes: 1	Beds: 66
Retirement Homes: 0	Beds: 0
Residential Care/Assisted Living: 0	Beds: 0

Religious Organizations:

Protestant: 28	Catholic: 1	Other:
Jehovah's Witness: 0	Seventh Day Adventist: 1	
Seventh Heaven Wedding Chapel		

Day Care Centers: 3 Day Care Homes: 1

Recreation:

Libraries: 1	Parks: 3
Golf Courses (Public & Private): 0	
Swimming Pools (Public & Private): 1	
Country Clubs: 0	Theaters: 0
Bowling Alleys: 0	

Hotels & Motels: 10 Rooms: 138
 Bed & Breakfasts:
 Largest Meeting Room Capacity: 200
 Restaurants: 21
 Other: 3 camp grounds, Dale Hollow Lake and Dam

FINANCIAL INSTITUTIONS

(countywide)

Commercial Banks: 2
 Savings Institutions: 0
 Credit Unions: 0
 Total # of Institutions: 2
 Total # of Branches: 3
 Combined Deposits: \$ 103,695,000 (Deposits for June 30, 2015)

Source: Federal Deposit Insurance Corporation

INDUSTRIAL SUPPORT SERVICES

Service	Town	Distance (Miles)
Tool & Die	Livingston	20
Heat Treating	Cookeville	40
Foundry	Cookeville	40
Sheet Metal	Livingston	20
Lubricants	Livingston	20
Welding Supplies	Livingston	20

SELECTED ECONOMIC INDICATORS

2015 Annual Averages

	County	Labor Market Area*
Labor Force:		
Civilian Labor Force	3,002	28,974
Employment	2,731	26,958
Unemployment	271	2,016
Unemployment Rate	9.0 %	7.5 %

* Labor Market Area is defined as Clay, Jackson, Macon, Overton and Pickett Counties in Tennessee.

Manufacturing in Area (Annual Averages 2015):

Number of Units:	7
Ann. Avg. Employment:	224

Source: Tennessee Department of Labor and Workforce Development

County 10-Year Growth Report

Years: 2007-2016	New Plants	Expansions
Number Projects:	1	8
Job Opportunities:	50	15
Total Investments:	\$ 2,000,000	\$ 664,000

Source: Tennessee Department of Economic and Community Development

Per Capita Personal Income

Year: 2015 Amount: \$ 31,431

Source: Bureau of Economic Analysis

Average Home Sales

Year: 2015 Number of homes sold: 42
 Average Cost: \$ 82,710

Source: Tennessee Housing Development Agency

Retail Sales

Year: 2015 Amount: \$ 50,790,254

Source: Tennessee Department of Revenue

NATURAL RESOURCES

Minerals: Oil
 Timber: Hardwoods and Softwoods

AGRICULTURAL

Crops: Tobacco, Hay, Corn
 Livestock: Cattle, Horses, and Chickens

UTILITIES

WATER

Water Supplier: City of Celina

Phone: 931.243.3238

Website: None at this time

Source: Obey River

Capacity: 2,000,000 GPD

Current Consumption: 600,000 GPD

Storage Capacity: 1,800,000 Gallons

Water Supplier: The Northwest Clay Utility District

Phone: 931.258.3489

Website: None at this time

Source: Cumberland River

Capacity:

Current Consumption:

Storage Capacity:

SEWER

Sewer Provider: City of Celina

Phone: 931.243.3813

Website: None at this time

Type of Treatment: Lagoon system

Capacity: 800,000 GPD

Current Usage: 300,000 GPD

City Sewer Coverage: 90 %

Storm Sewer Coverage: 5 %

Solid Waste Disposal Type: Landfill

GAS

Local Distributor: Clay Gas Utility District

Phone: 931.243.4070

Website: None at this time

Source Company: Texas Eastern Pipeline

Fuel Oil Suppliers: 0

Suppliers of LP Gas: 2

ELECTRICITY

Source Company: Tennessee Valley Authority

Local Power Company for City and County:

Tri-County Electric Membership Corporation

Exec. VP/General Manager: Paul Thompson

District Office: Post Office Box 369

105 East Lake

Celina, Tennessee 38551

Phone: 931.243.3133

Fax: 615.688.2141

Website: www.tcemc.org

MTIDA works closely with the Tennessee Valley Authority, which supplies electric power to Middle Tennessee through our 25 member local power companies.

MAJOR INDUSTRIAL MANUFACTURERS/DISTRIBUTION

<u>Firm</u>	<u>Product or Service</u>	<u>Total Employees</u>	<u>Union</u>	<u>Phone Number</u>
Honest Abe & Company	Log homes/sawmill	180	None	931-258-3648
Raycoe, Inc.	Camouflage apparel	49	None	931-243-6580
V & F Transformer	Electric transformer	40	None	931-243-4717
Dutch Craft Mattress Co.	Mattress manufacturer	31	None	931-243-4425
Dura Plastic Products	Injection molding	29	None	931-243-5544
Punisher Lures & Dale Hollow 1-Stop	Mfg. lures & retail	28	None	931-243-2636
Cumberland Bio Science	Medical research	18	None	931-243-2400
Trim-Tek	Automotive sun visors	16	None	931-243-3196
LWP	Custom auto manufacturing	6	None	931-258-3940

For information on industrial sites and available industrial buildings contact:

Robert T. Bibb, Executive Director
Middle Tennessee Industrial Development Association
2108 Westwood Avenue
Nashville, Tennessee 37212
Phone: 615.269.5233 Fax: 615.269.5184
Email: mtida@mtida.org Website: www.mtida.org

Willie P. Kerr, City Mayor
City of Celina
PO Box 449, 330 Dow Avenue
Celina, TN 38551
Phone: 931.243.2115 Fax: 931.243.4743
Email: cityofcelina@twlakes.net
Website: www.dalehollowlake.org

Dale Reagan, County Mayor
Clay County
PO Box 387, 145 Cordell Hull Drive
Celina, TN 38551
Phone: 931.243.2161 Fax: 931.243.2436
Email: clayexec@twlakes.net Website: www.dalehollowlake.org

Kevin Donaldson, Executive Director
Clay County Partnership Chamber of Commerce
424 Brown Street
Celina, TN 38551
Phone: 931.243.3338 Fax: 931.243.6809
Email: claychamber@twlakes.net Website: www.dalehollowlake.org

The information contained herein was obtained from sources we consider reliable. We can not be responsible, however, for errors or change in information.

Updated March 2017

HRSA Data Warehouse

Health Resources & Services Administration

[Topic Areas](#)[Tools](#)[Data](#)[FAQs & Resources](#)[About HDW](#)[HRSA.gov](#)[Home](#) > [Tools](#) > [Analyzers](#) > [MUA Find](#) > MUA Find Results

MUA Find Results

Search Criteria

Click on a column heading to sort the results in ascending or descending order.

[Start Over](#)[Modify Search Criteria](#)[Map View](#)

Data as of 8/2/2017

State: Tennessee

County: Clay County

MUA ID: All

[Collapse All](#)

1

Page Size: 50

01 items in 01 pages

County Name 1	County FIPS Code 1	Service Area Name 1	MUA/P Source Identification Number 1	Designation Type 1	Population Type 1	Index of Medical Underservice Score 1	MUA/P Designation Date 1	MUA/P Update Date 1
Clay County	027	Clay County	03183	Medically Underserved Area	Medically Underserved Area	59.60	11/01/1978	05/21/2014

1

Page Size: 50

01 items in 01 pages

[Ask Questions](#) | [Viewers & Players](#) | [Privacy Policy](#) | [Disclaimers](#) | [Accessibility](#) | [Freedom of Information Act](#) | [USA.gov](#) | [WhiteHouse.gov](#)



Franklin Associates, Architects, Inc.

142 N Market St . PO Box 4048 . Chattanooga . TN 37405

423.266.1207

August 03, 2017

Mr. John Sheehan
Integrity Healthcare of Celina, LLC
801 Broad Street, Suite 300
Chattanooga, TN 37402

Re: Celina Heath and Rehabilitation Center
12 Bed Skilled Nursing Facility Increase
120 Pitcock Lane, Celina, TN for
Integrity Healthcare of Celina, LLC

Dear Mr. Sheehan:

We have reviewed the application that has been prepared for the CON to the State of Tennessee for the proposed 12 bed skilled nursing facility addition located at 120 Pitcock Lane, in Celina, TN. We expect the new 12 bed facility to be separated from the existing facility by two-hour fire-rated construction. The new addition will include 6 double bed patient rooms, a satellite nurse station, and a larger physical therapy suite. The project site is relatively flat and is only limited by the site setback requirements.

We concur that the estimated building construction cost of \$720,000.00 shown on the application and prepared by GenTech Construction, is reasonable considering the project location and historical budgeting information for similar skilled nursing facilities.

The facility will be designed to meet the 2010 ADA standards, the current FGI Guidelines for Design & Construction of Health Care Facilities, and all applicable local, state and federal codes and standards.

Sincerely,

Stephen Haase, AIA, LEED AP BD+C, CPHC®
Franklin Architects
Project Architect

Attachment B.EconomicFeasibility.B



Ryan L. Kirk
BOK Financial
Healthcare Banking
201 Robert S. Kerr Ave., 2nd Floor
Oklahoma City, OK 73102
405.272.2400 (direct)
rkirk@bokf.com

May 25th, 2017

Celina Health & Rehabilitation Center
Celina, TN

To whom it may concern:

BOKF, NA dba Bank of Oklahoma is a \$33B regional bank headquartered in Tulsa, OK. We have a very large and growing niche lending business focusing on Healthcare companies, with an emphasis in Seniors Housing. Today, our Healthcare book of business has outstanding loan balances just over \$2.0B. It is a core part of our bank and an area that is a key driver of our future growth.

John Sheehan, Jr. and John O'Brien, Jr. are existing clients of the bank, and have been for a number of years. Over the past few years, we have experienced a wonderful working relationship with both individuals, evidenced by the closing of approximately \$50MM in loan transactions in which these individuals were involved. We would be willing to finance the 12-bed expansion and additional of a therapy gym at the Celina facility as we have a strong interest in continuing to grow our relationship with both Mr. Sheehan and Mr. O'Brien. We anticipate this would be a \$1,000,000 loan that would be repaid over a 15 to 20 year period, at an interest rate of roughly 4%.

If you have any questions or need further assurances, please do not hesitate to call or email me.

Sincerely,

A handwritten signature in black ink, appearing to read "Ryan L. Kirk".

Ryan L. Kirk
Senior Vice President



CREDIT REFERENCE LETTER

May 25, 2017

Celina Health & Rehabilitation Center
Mr. John J. Sheehan, Jr
Mr. John P. O'Brien
801 Broad Street, 3rd Floor
Chattanooga, TN 37402

Dear Mr. Sheehan and Mr. O'Brien:

Millennium Bank ("the bank") is glad to issue this Credit Reference Letter on your behalf. The bank has enjoyed a longstanding relationship with both of you personally as well as having been the lender of record on the following projects:

Henderson Health and Rehabilitation Center: A \$3,000,000 loan for the purpose of capital improvements to Creekside Health and Rehabilitation,

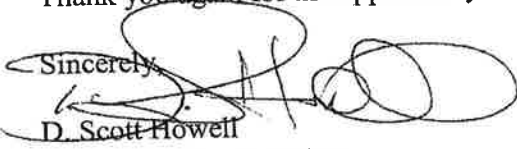
Integrity Healthcare of Jonesboro: A \$600,000 loan for capital improvements to the Jonesboro facility.

Based on your historical performance with the bank and our knowledge of your facilities and your borrowing capacity, the bank is looking forward to providing additional financing in the approximate amount of \$1,000,000.00 for your expansion to the Celina facility. The loan will be interest payable monthly at 5.95% with annual principal reductions of \$100,000 due on the anniversary date of the loan. The loan will have a maturity of 3 years.

Please let us know when you will need funding so we can be sure to meet your timeline.

Thank you again for the opportunity to work with you.

Sincerely,


D. Scott Howell

Executive Vice President
801 Broad Street, Suite 102
Chattanooga, TN 37402
(423) 238-8617
scotth@millenniumbank.com

Celina Health and Rehabilitation Center
Balance Sheet
For the Period Ending
April 30, 2017

	<u>Apr-17</u>
Current Assets	
11004 AS Depository Account	6,247.54
11016 AS Petty Cash	200.00
11021 AS Cash Clearing-Assets	36,731.38
11032 AS Operating Acct Community Trust	281,246.84
11033 AS PR Acct Community Trust	(5,543.35)
Total Cash	<u>318,882.41</u>
11100 AS Accts Rec: Resident-Pvt	20,899.30
11101 AS Accts Rec: Resident Resources	12,767.77
11105 AS Accts Rec: Medicare A - Govt	72,157.66
11106 AS Accts Rec: Medicare A Pvt Co-ins	8,496.00
11107 AS Accts Rec: Medicare A - Mcd Xover	112,033.00
11108 AS Accts Rec: Medicare A - 3rd Party Ins	28,059.50
11114 AS Accts Rec: ICF Medicaid - Govt	108,150.04
11122 AS Accts Rec: Medicare B - Govt	12,933.00
11123 AS Accts Rec: Medicare B - Pvt Co-ins	139.01
11124 AS Accts Rec: Medicare B - Mcd Xover	28,103.81
11125 AS Accts Rec: Medicare B - 3rd Party Ins	2,147.88
11127 AS Accts Rec - Hospice	712.20
11145 AS Accts Rec - Medicare C	18,444.37
Total Accounts Receivable	<u>425,043.54</u>
11104 AS Bad Debt Allowance	(21,798.03)
Total Net Receivable	<u>403,245.51</u>
11132 AS Quality and Acuity - TN	24,327.48
11136 AS A/R Bundled Program	956.24
11176 AS MCBD 2016	(42,061.44)
11177 AS MCBD 2017	(22,480.51)
Total Other Receivable	<u>(39,258.23)</u>
11203 AS Prepaid Workers Compensation	1,544.40
11207 AS Prepaid Dues	3,676.40
11208 AS Prepaid Other	11,515.73
Total Prepays	<u>16,736.53</u>
TOTAL CURRENT ASSETS	<u>699,606.22</u>
11305 AS W/C Cash Collateral - Managed	11,160.00
Total Limited Use Assets	<u>11,160.00</u>
11453 AS Equipment	-
Property, Plant and Equip, GROSS	<u>-</u>
Net Property Plant and Equipment	<u>-</u>
11759 AS IC: Property Investments-AS	456,000.13
Total Intercompanies	<u>456,000.13</u>
Investments	
11800 AS Patient Trust Bank Account	26,217.28

Celina Health and Rehabilitation Center
Balance Sheet
For the Period Ending
April 30, 2017

		Apr-17
11801 AS	Patient Trust Petty Cash	300.00
	Total Restricted Assets	<u>26,517.28</u>
	TOTAL ASSETS	<u>1,193,283.63</u>
	Liabilities	
20100 LI	Accounts Payable: Trade	105,764.34
20101 LI	Accounts Payable: Related Party	9,338.54
	Total Accounts Payable	<u>115,102.88</u>
20200 LI	Accrued Salaries & Wages	100,465.09
20201 LI	Accrued Vacation	42,327.36
20202 LI	Accrued Bonuses	20,452.00
20203 LI	Accrued Payroll Paid not in PMX	(558.44)
20225 LI	Employee Deduct: Flex Med	115.83
	Total Accrued Compensation	<u>162,801.84</u>
20300 LI	Taxes & Licenses Accrued	1,125.33
20301 LI	Property Taxes Accrued	600.00
20307 LI	Audit Fees Accrued	391.68
20308 LI	Bed Tax Payable	25,434.08
20309 LI	ME Reversing Accruals	72,753.80
20311 LI	Unclaimed Property	101.71
20313 LI	Other Accrued Expenses	2,200.00
	Total Accrued Liabilities	<u>102,606.60</u>
	TOTAL CURRENT LIABILITIES	<u>380,511.32</u>
	Total LT Mortgages and Leases	<u>-</u>
20600 LI	Patient Trust Liability	26,217.28
	Total Restricted Liabilities	<u>26,217.28</u>
	TOTAL LIABILITIES	<u>406,728.60</u>
	Equity	
31000 EQ	Owners Distributions	(927,650.00)
32000	Retained Earnings	1,570,280.11
	YTD Net Income	143,924.92
	Total OWNERS EQUITY	<u>786,555.03</u>
	TOTAL LIABILITIES and OWNERS EQUITY	<u>1,193,283.63</u>

Celina Health and Rehabilitation Center
Income Statement Summary Trend
For the Period Ending
April 30, 2017

	Apr-17	Mar-17	Feb-17	Jan-17	Dec-16	Nov-16	Oct-16	Sep-16	Aug-16	Jul-16	Jun-16	May-16	12 Month Total	YTD Balance
Days														
Private	195	209	168	188	196	184	183	314	105	93	90	106	2,031	760
Medicare A	232	219	312	211	153	164	187	163	224	132	118	92	2,207	974
Medicaid	1,437	1,497	1,291	1,525	1,592	1,494	1,648	1,469	1,633	1,716	1,730	1,777	18,809	5,750
Medicare C - Rugs/Levels	19	30	26	20	5	15	-	-	-	-	-	-	115	95
Hospice	4	-	-	-	-	3	6	-	-	-	-	-	13	4
Total Inpatient Days	1,887	1,955	1,797	1,944	1,946	1,860	2,024	1,946	1,962	1,941	1,938	1,975	23,175	7,583
AVG Daily Census - SNF	62.9	63.1	64.2	62.7	62.8	62.0	65.3	64.9	63.3	62.6	64.6	63.7	63.5	63.2
Occupancy Percentage - SNF	95.3%	95.6%	97.2%	95.0%	95.1%	93.9%	98.9%	98.3%	95.9%	94.9%	97.9%	96.5%	96.2%	95.7%
Revenues														
Private	38,132	40,934	32,318	36,446	35,436	32,962	32,549	55,261	18,810	16,514	16,114	18,796	374,271	147,829
Medicare A	91,085	76,186	134,576	93,542	59,872	62,224	69,498	63,126	82,682	39,336	43,623	37,428	853,177	395,389
Medicaid	280,185	290,868	255,304	294,342	306,802	289,977	319,796	286,068	315,846	336,848	306,103	315,218	3,597,357	1,120,700
Medicare C - Rugs/Levels	9,687	12,450	6,985	10,332	2,343	7,112	-	-	-	(1,580)	-	-	47,328	39,453
Hospice	712	-	-	-	-	534	1,068	-	-	-	-	-	2,315	712
Other Inpatient	-	-	0	(0)	(0)	(0)	0	(0)	(0)	(0)	(0)	0	(0)	-
Medicare B	10,505	6,958	5,671	5,781	12,300	13,378	15,934	15,404	15,443	18,924	17,964	26,320	164,582	28,915
Other Revenue	153	(6,628)	741	3,633	2,385	1,027	560	2,635	2,432	2,537	2,514	-	11,989	(2,101)
Write Offs and Allowance	(9,047)	11,153	(2,000)	(2,000)	(7,983)	(2,000)	(9,161)	(1,643)	(1,597)	-	20	(1,909)	(26,167)	(1,894)
BA and Prior Year Adjustments	29	(384)	10	464	(44)	(15)	(50)	(7,715)	(147)	(1,274)	(3,774)	7,684	(5,216)	119
Total Revenue	421,440	431,537	433,605	442,539	411,112	405,199	430,195	413,135	433,469	411,303	382,565	403,537	5,019,637	1,729,122
Expenses														
Salaries	147,325	150,324	140,474	152,035	151,220	153,039	147,748	147,842	152,231	147,970	153,840	142,485	1,786,533	590,158
Related Taxes	14,064	14,383	12,819	13,813	14,914	12,887	13,862	13,102	13,089	13,178	13,490	12,652	162,254	55,079
Overtime	11,044	13,506	8,781	4,029	5,606	5,833	11,107	8,258	6,443	5,197	7,406	5,491	92,702	37,360
Vac/Sick and Bonuses	(7,869)	15,536	16,156	16,635	19,392	18,786	17,572	18,244	18,068	17,089	16,559	15,460	181,628	40,457
Holiday	387	964	460	3,613	4,583	4,947	144	5,324	675	5,396	380	5,007	31,880	5,424
Admin Comp	8,577	3,697	7,395	7,249	7,249	7,249	7,249	7,249	7,249	7,249	7,249	7,249	84,910	26,918
Total Wages and Related Expenses	173,528	198,411	186,084	197,374	202,965	202,741	197,682	200,020	197,755	196,080	198,923	188,344	2,339,908	755,397
Supplies	29,148	35,525	32,832	31,959	40,527	39,345	36,970	42,098	47,136	37,078	37,003	31,511	441,131	129,464
Major Purchases	828	-	-	-	-	-	-	6,529	4,260	601	(15,011)	3,097	305	828
Prescriptions	10,649	12,403	11,904	8,085	5,407	5,281	7,105	5,886	7,597	4,493	3,503	(919)	81,392	43,040
Contracted Therapy	23,677	22,113	27,386	23,360	20,941	21,151	24,196	21,099	23,021	23,086	23,038	31,160	284,229	96,536
Other Ancillaries	3,536	10,592	10,361	5,055	9,895	4,311	6,255	6,560	6,558	6,535	3,510	3,611	76,779	29,544
Purch Svc and Prof Fees	15,718	18,215	17,539	13,481	25,184	14,245	33,660	17,782	17,852	13,306	15,179	19,164	221,324	64,953
Management Fees	21,337	21,353	21,757	22,009	20,556	20,260	21,599	20,752	21,406	20,517	19,259	20,173	250,978	86,456
Utilities	12,977	12,907	13,263	16,227	18,211	12,026	9,796	12,463	12,362	11,275	11,591	10,340	153,439	55,374
Health and Related Insuran	9,158	11,812	13,396	16,724	13,610	13,371	12,658	12,533	12,026	9,974	9,513	8,749	143,525	51,090
Workers Comp	7,390	7,557	2,103	1,326	(62)	1,326	(1,464)	2,238	2,304	2,227	4,601	4,725	34,273	18,377
Prop and GL Insurance	4,278	4,278	4,278	4,578	4,278	4,278	4,278	3,543	3,729	3,729	3,729	3,729	48,702	17,410
Taxes and Licenses	26,393	26,362	26,133	26,133	24,762	27,170	29,438	25,445	31,977	25,092	25,192	25,092	319,189	105,021
Other Expenses	4,524	3,007	1,710	2,551	2,982	2,562	2,090	2,564	5,142	3,607	3,933	2,765	37,438	11,791
Total Operating Expenses	343,140	384,535	368,746	368,861	389,257	368,067	384,262	379,512	393,126	357,601	343,963	351,541	4,432,611	1,465,281

Celina Health and Rehabilitation Center
Income Statement Summary Trend
For the Period Ending
April 30, 2017

	Apr-17	Mar-17	Feb-17	Jan-17	Dec-16	Nov-16	Oct-16	Sep-16	Aug-16	Jul-16	Jun-16	May-16	12 Month	
													Total	YTD Balance
Operating Margin	78,300	47,002	64,860	73,678	21,855	37,132	45,932	33,623	40,343	53,702	38,602	51,996	587,026	263,841
Operating Margin %	18.6%	10.9%	15.0%	16.6%	5.3%	9.2%	10.7%	8.1%	9.3%	13.1%	10.1%	12.9%	11.7%	15.3%
Interest Expense	-	182	812	-	-	-	-	-	-	-	-	-	994	994
Rents and Leases	29,661	29,661	29,661	29,940	29,661	29,661	29,661	43,201	29,661	29,661	29,661	29,661	369,756	118,924
Other Non-Op Exp/Rev	(2)	-	-	-	-	-	-	500	-	-	-	-	498	(2)
Total Non-Operating Exp/Rev	29,659	29,843	30,473	29,940	29,661	29,661	29,661	43,701	29,661	29,661	29,661	29,661	371,247	119,916
Net Income	48,641	17,159	34,386	43,739	(7,806)	7,471	16,271	(10,079)	10,682	24,041	8,940	22,335	215,779	143,925

Board for Licensing Health Care Facilities



State of Tennessee

License No. 00000000036

No. Beds 0066

DEPARTMENT OF HEALTH

This is to certify, that a license is hereby granted by the State Department of Health to

INTEGRITY HEALTHCARE OF CELINA, LLC to conduct

and maintain a Nursing Home CELINA HEALTH AND REHABILITATION CENTER

Located at 120 PITCOCK LANE, CELINA

County of CLAY, Tennessee.

This license shall expire JULY 28, 2017 *and is subject to the provisions of Chapter 11, Tennessee Code Annotated. This license shall not be assignable or transferable, and shall be subject to revocation at any time by the State Department of Health, for failure to comply with the laws of the State of Tennessee or the rules and regulations of the State Department of Health issued thereunder.*



In Witness Whereof, we have hereunto set our hand and seal of the State

this 30TH day of JUNE, 2016.

By Timothy J. Davis, MPH

DIRECTOR, DIVISION OF HEALTH CARE FACILITIES

By [Signature] COMMISSIONER

CELINA HEALTH
AND REHABILITATION CENTER


SERVING YOU FROM OUR HEART

October 17, 2016

To Whom It May Concern:

Please find enclosed our Plan of Correction for Celina Health and Rehabilitation Center. Please accept this plan of correction with a completed date of October 17, 2016. If I can be of any assistance, please feel free to contact me at 931-243-3139 or by email at ccadmi@gracehc.com.

Sincerely,



Paula Boone
Administrator



HEALTHCARE Managed Facility

120 Pitcock Lane
Celina, TN 38551

p 931.243.3139
f 931.243.3169

www.gracehc.com

DEPARTMENT OF HEALTH AND HUMAN SERVICES
CENTERS FOR MEDICARE & MEDICAID SERVICES

PRINTED: 09/29/2016
FORM APPROVED
OMB NO. 0938-0391

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION		(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER: 445445	(X2) MULTIPLE CONSTRUCTION A. BUILDING _____ B. WING _____		(X3) DATE SURVEY COMPLETED 09/28/2016
NAME OF PROVIDER OR SUPPLIER CELINA HEALTH AND REHABILITATION CENTER			STREET ADDRESS, CITY, STATE, ZIP CODE 120 PITCOCK LANE CELINA, TN 38551		
(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETION DATE	
F 000	INITIAL COMMENTS A recertification survey and complaint investigation (#39526) was conducted on 9/26/16 through 9/28/16, at Celina Health and Rehabilitation Center. No deficiencies were cited in relation to the complaint under 42 CFR Part 483, Requirements for Long Term Care Facilities. 483.25(h) FREE OF ACCIDENT HAZARDS/SUPERVISION/DEVICES The facility must ensure that the resident environment remains as free of accident hazards as is possible; and each resident receives adequate supervision and assistance devices to prevent accidents.	F 000	This Plan of Correction is submitted as required under State and Federal law. The facility's submission of the Plan of Correction does not constitute an admission on the part of the facility that the findings cited are accurate, that the findings constitute a deficiency, or that the scope and severity determination is correct. Because the facility makes no such admissions, the statements made in the Plan of Correction cannot be used against the facility in any subsequent administrative or civil proceeding.		
F 323 SS=D	This REQUIREMENT is not met as evidenced by: Based on medical record review, observation, and interview, the facility failed to place new interventions after 1 of 6 falls for 1 (#49) of 18 residents reviewed. The findings included: Medical record review revealed Resident #49 was admitted to the facility on 7/11/12, and re-admitted on 8/2/16, with diagnoses including Alzheimer's Disease, Expressive Language Disorder, Unsteadiness on Feet, Orthostatic Hypotension, and Osteoarthritis. Medical record review of the Fall Risk Assessment dated 8/31/16 revealed a score of 41 with 10 or higher indicated high risk for further	F 323	1. Resident #49 was assessed by the Director of Nursing on 9/28/16 with no adverse outcomes noted. All current fall interventions for Resident #49 were reviewed by the Director of Nursing and the MDS Assessment Nurse on 9/28/16 and were revised to be specific and appropriate for fall prevention. 2. All current fall interventions for active residents were reviewed by the Director of Nursing, Staffing Coordinator, and the MDS Assessment Nurses for appropriateness for fall prevention. No other residents were identified as having been affected. 3. Licensed Nurses were in serviced by the Director of Nursing regarding appropriate fall prevention procedures on 10/4/16. 4. All fall interventions will be reviewed by the Director of Nursing, Administrator, Staffing Coordinator, and the MDS	Completion Date 10/4/16	

LABORATORY DIRECTOR'S OR PROVIDER/SUPPLIER REPRESENTATIVE'S SIGNATURE

Paula Boone, NHA

TITLE

Administrator

(X8) DATE

10/17/16

Any deficiency statement ending with an asterisk (*) denotes a deficiency which the institution may be excused from correcting providing it is determined that other safeguards provide sufficient protection to the patients. (See instructions.) Except for nursing homes, the findings stated above are disclosable 90 days following the date of survey whether or not a plan of correction is provided. For nursing homes, the above findings and plans of correction are disclosable 14 days following the date these documents are made available to the facility. If deficiencies are cited, an approved plan of correction is requisite to continued program participation.

DEPARTMENT OF HEALTH AND HUMAN SERVICES
CENTERS FOR MEDICARE & MEDICAID SERVICES

PRINTED: 09/29/2016
FORM APPROVED
OMB NO. 0938-0391

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION		(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER: 445445	(X2) MULTIPLE CONSTRUCTION A. BUILDING _____ B. WING _____		(X3) DATE SURVEY COMPLETED 09/28/2016
NAME OF PROVIDER OR SUPPLIER CELINA HEALTH AND REHABILITATION CENTER			STREET ADDRESS, CITY, STATE, ZIP CODE 120 PITCOCK LANE CELINA, TN 38551		
(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)		ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETION DATE

F 323 Continued From page 1
falls.

Medical record review of the Minimum Data Set (MDS) dated 8/16/16 revealed Resident #49 had severe cognitive impairment, required assistance of 2 staff to transfer, and seldom ambulated but when he did, he required extensive assistance of 2 staff.

Medical record review of the Resident Incident Report dated 6/28/16 revealed Resident #49 was found on the floor in front of the nurse's station, the fall was unwitnessed but staff thinks he tried to transfer self, lost his balance and fell. Continued review revealed Resident #49 sustained a skin tear on his right elbow, and no emergency room visit was required. Continued review revealed recommendations were to "...utilize 1:1 pod for diversional activity..."

F 323

Assessment Nurse ongoing. Any identified inappropriate interventions will be immediately revised. Results obtained will be reported monthly by the Director of Nursing to the Quality Assurance Performance Improvement committee comprised of the Medical Director, Administrator, Director of Nursing, Staffing Coordinator, Minimum Data Set Coordinator, Social Services, Activities Director, Dietary Manager, and Housekeeping Supervisor.

Medical record review of the Resident Incident Report dated 7/06/16 revealed Resident #49 was found on the floor in front of the nurse's station, he had attempted several times to stand up and ambulate by himself. Continued review revealed "...Resident was sitting in front of nurse's station. Resident stood up et (and) lost balance. Resident was redirected several times by this nurse prior to fall..." Continued review revealed a recommendation "...Staff education r/t [related/to] musical diversional activities & encourage resd [resident] to be up in dining room for activities...7/12/16- Conts [Continues] to do well with headphones. He listens to blue grass music & calms him down. Conts to go to DR [Dining Room] to receive 1:1 interaction with staff..."

Medical record review of the Resident Incident Report dated 7/19/16 revealed Resident #49 was

DEPARTMENT OF HEALTH AND HUMAN SERVICES
CENTERS FOR MEDICARE & MEDICAID SERVICES

PRINTED: 09/29/2016
FORM APPROVED
OMB NO. 0938-0391

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION		(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER: 445445	(X2) MULTIPLE CONSTRUCTION A. BUILDING _____ B. WING _____		(X3) DATE SURVEY COMPLETED 09/28/2016
NAME OF PROVIDER OR SUPPLIER CELINA HEALTH AND REHABILITATION CENTER			STREET ADDRESS, CITY, STATE, ZIP CODE 120 PITCOCK LANE CELINA, TN 38551		
(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETION DATE	
F 323	Continued From page 2 found on the floor in the dining room, Resident #49 had attempted to transfer self, and received a skin tear to his left lower arm. The recommendation was to have the "...MD consult r/t meds...MD ordered Klonopin 2 [secondary] to increased agitation & behaviors after being consulted. Staff reports slight improvement in behaviors. Conds with impaired cognition & difficulty following commands..." Medical record review of the Resident Incident Report dated 9/09/16 revealed Resident #49 "...Sitting in w/c [wheel chair] at nurses station stood in front of w/c got weak and fell to floor on his knees...No apparent injury..." Continued review revealed a recommendation of "...Encourage use of headphones..." (see report from 7/6/16).	F 323			
	Medical record review of the Resident Incident Report dated 9/11/16 revealed "...Resident was trying to stand up and became weak and went to his knees on the ground and then layed on the ground. Resident has no apparent injuries noted...Immediate Post-Incident Action: dyson [dysom is non slip material] placed in chair...encourage diversional activities...9/16/16-Activities dept conds to encourage & engage resd in diversional activities. Difficulty maintaining attention span 2 [secondary to] cognition impairments. Conds @ ^ [high] risk for falls..." Medical record review of the Resident Incident Report dated 9/13/16 revealed Resident #49 "...was sitting in w/c at nurses station leaned over and slipped out of chair to floor. 3x4 cm [centimeter] Skin tear to Rt/ Elbow...Skin tear cleaned with NS [Normal Saline], steri strips and dsg [dressing] applied...Resident was up in the				

DEPARTMENT OF HEALTH AND HUMAN SERVICES
CENTERS FOR MEDICARE & MEDICAID SERVICES

PRINTED: 09/29/2016
FORM APPROVED
OMB NO. 0938-0391

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER: 445445	(X2) MULTIPLE CONSTRUCTION A. BUILDING _____ B. WING _____	(X3) DATE SURVEY COMPLETED 09/28/2016
NAME OF PROVIDER OR SUPPLIER CELINA HEALTH AND REHABILITATION CENTER		STREET ADDRESS, CITY, STATE, ZIP CODE 120 PITCOCK LANE CELINA, TN 38551	

(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETION DATE
--------------------------	--	---------------------	--	----------------------------

F 323 Continued From page 3
dining room for supper. After supper he was sitting at the nursing station. He was very nervous & agitated & refused to go to bed...Will seek headphones with built in MP3 player...9/19/16- Headphones ordered awaiting shipment. Conts @ risk for falls..."

Observation on 9/28/16 at 11:30 AM, revealed Resident #49 was up in the w/c eating his lunch in the dining room, no attempts to stand and transfer self.

Interview with Registered Nurse/ MDS Coordinator on 9/28/16 at 12:20 PM, in the conference room confirmed the staff were in serviced to provide Resident #49 headphones after the 6/28/16 fall, "they were not doing it" referring to placing the headphones on the resident and playing music for diversional activity. Continued interview confirmed the intervention of the use of headphones placed after the fall on 9/9/16 was the same intervention put in place after the 6/28/16 fall.

F 323:

Division of Health Care Facilities

PRINTED: 09/29/2016
FORM APPROVED

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION		(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER: TN1401	(X2) MULTIPLE CONSTRUCTION A. BUILDING: _____ B. WING: _____		(X3) DATE SURVEY COMPLETED 09/28/2016
NAME OF PROVIDER OR SUPPLIER CELINA HEALTH AND REHABILITATION CENTI			STREET ADDRESS, CITY, STATE, ZIP CODE 120 PITCOCK LANE CELINA, TN 38551		
(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)		(X5) COMPLETE DATE
N 000	Initial Comments During the Licensure survey and complaint investigation (#39526) conducted on 9/26/16 through 9/28/16, at Celina Health and Rehabilitation Center. No deficiencies were cited in relation to the complaint under Chapter 1200-8-6, Standards for Nursing Homes.	N 000			

Division of Health Care Facilities

LABORATORY DIRECTOR'S OR PROVIDER/SUPPLIER REPRESENTATIVE'S SIGNATURE

Paul Boone, NHA

TITLE

Administrator

(X6) DATE

10/17/16

STATE FORM

6699

H80V11

If continuation sheet 1 of 1

DEPARTMENT OF HEALTH AND HUMAN SERVICES
CENTERS FOR MEDICARE & MEDICAID SERVICES

PRINTED: 09/29/2016
FORM APPROVED
OMB NO. 0938-0391

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION		(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER: 445445	(X2) MULTIPLE CONSTRUCTION A. BUILDING 01 - MAIN BUILDING 01 B. WING _____		(X3) DATE SURVEY COMPLETED 09/26/2016
NAME OF PROVIDER OR SUPPLIER CELINA HEALTH AND REHABILITATION CENTER			STREET ADDRESS, CITY, STATE, ZIP CODE 120 PITCOCK LANE CELINA, TN 38551		
(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETION DATE	
K 021 SS=F	<p>NFPA 101 LIFE SAFETY CODE STANDARD</p> <p>Doors in an exit passageway, stairway enclosure, horizontal exit, smoke barrier or hazardous area enclosure are self-closing and kept in the closed position, unless held open by a release device complying with 7.2.1.8.2 that automatically closes all such doors throughout the smoke compartment or entire facility upon activation of:</p> <p>(a) The required manual fire alarm system and</p> <p>(b) Local smoke detectors designed to detect smoke passing through the opening or a required smoke detection system and</p> <p>(c) The automatic sprinkler system, if installed 18.2.2.2.6, 18.3.1.2, 19.2.2.2.6, 19.3.1.2, 7.2.1.8.2</p> <p>Door assemblies in vertical openings are of an approved type with appropriate fire protection rating. 8.2.3.2.3.1</p>	K 021	<p>1. The hardware for the fire doors for 100 Hall, 200 Hall, and 300 Hall (four sets) was ordered on 10/17/16.</p> <p>2. The hardware for all four sets of doors will be replaced. No other doors remain.</p> <p>3. The maintenance department was inserviced on 10/17/16 regarding maintenance of fire doors by the Administrator.</p> <p>4. The maintenance director will examine the fire doors weekly for four weeks and then monthly for two months or until 100% compliance is achieved and thereafter to according to the facilities preventative maintenance plan. All results will be reported monthly x 3 months by the Maintenance Director to the Quality Assurance Performance Improvement committee comprised of the Medical Director, Administrator, Director of Nursing, Staffing Coordinator, Minimum Data Set Coordinator, Social Services, Activities Director, Dietary Manager, and Housekeeping Supervisor.</p>	<p>Completion Date 10/17/16</p>	
	<p>Boiler rooms, heater rooms, and mechanical equipment rooms doors are kept closed. This STANDARD is not met as evidenced by: Based on observations and testing, the facility failed to maintain the cross corridor fire doors.</p> <p>The findings included:</p> <p>1. Observation and testing of the cross corridor fire doors on 9/26/16 at 9:53 AM, 10:01 AM, and 10:30 AM, revealed the following cross corridor fire doors were not bottom latching in the floor (2 of 2) in the following locations:</p> <p>a. 300 hall</p> <p>b. 200 hall</p> <p>c. 100 hall (both sets of fire doors) National Fire Protection Association (NFPA) 101, 4.6.1.2 (2000 Edition), NFPA 101, 8.2.3.2.1 (2000 Edition), NFPA 80, 15-1.2 (1999 Edition)</p>				

LABORATORY DIRECTOR'S OR PROVIDER/SUPPLIER REPRESENTATIVE'S SIGNATURE

TITLE

(X6) DATE

Paul Boore, NHA

Administrator

10/17/16

Any deficiency statement ending with an asterisk (*) denotes a deficiency which the institution may be excused from correcting providing it is determined that other safeguards provide sufficient protection to the patients. (See instructions.) Except for nursing homes, the findings stated above are disclosable 90 days following the date of survey whether or not a plan of correction is provided. For nursing homes, the above findings and plans of correction are disclosable 14 days following the date these documents are made available to the facility. If deficiencies are cited, an approved plan of correction is requisite to continued program participation.

DEPARTMENT OF HEALTH AND HUMAN SERVICES
CENTERS FOR MEDICARE & MEDICAID SERVICES

PRINTED: 09/29/2016
FORM APPROVED
OMB NO. 0938-0391

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION		(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER: 445445	(X2) MULTIPLE CONSTRUCTION A. BUILDING 01 - MAIN BUILDING 01 B. WING _____		(X3) DATE SURVEY COMPLETED 09/26/2016
NAME OF PROVIDER OR SUPPLIER CELINA HEALTH AND REHABILITATION CENTER			STREET ADDRESS, CITY, STATE, ZIP CODE 120 PITCOCK LANE CELINA, TN 38551		
(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETION DATE	
K 021	Continued From page 1 2. Observation on 9/26/16 at 9:54 AM, revealed cross corridor fire doors not top latching within the frame in the following locations: a. 300 hall (1 of 2) b. 100 hall by patient room by the therapy (1 of 2) (10:02 AM) NFPA 101, 4.6.1.2 (2000 Edition), NFPA 101, 8.2.3.2.1 (2000 Edition), NFPA 80, 15-1.2 (1999 Edition) 3. Observation on 9/26/16 at 10:03 AM, revealed the 200 hall cross corridor fire doors (1 of 2) was missing hardware (bottom latching rod) NFPA 101, 4.6.1.2 (2000 Edition), NFPA 101, 8.2.3.2.1 (2000 Edition), NFPA 80, 3-4.3.2 (1999 Edition) 4. Observation on 9/26/16 at 10:05 AM, revealed the 300 hall cross corridor fire doors (1 of 2) had damaged hardware. NFPA 101, 4.6.1.2 (2000 Edition), NFPA 101, 8.2.3.2.1 (2000 Edition), NFPA 80, 15-2.3 (1999 Edition) These findings were verified by the maintenance director and acknowledged by the administrator during the exit conference on 9/26/16.	K 021			
K 025 SS=D	NFPA 101 LIFE SAFETY CODE STANDARD Smoke barriers shall be constructed to provide at least a one half hour fire resistance rating and constructed in accordance with 8.3. Smoke barriers shall be permitted to terminate at an atrium wall. Windows shall be protected by fire-rated glazing or by wired glass panels and steel frames. 8.3, 19.3.7.3, 19.3.7.5 This STANDARD is not met as evidenced by: Based on observations, the facility failed to	K 025	1. The ½ inch ceiling penetration in the Nurses Supply closet was repaired on 10/4/16. 2. The remaining facility smoke barriers were inspected with no other deficient practices noted. 3. The maintenance department was unserviced on 10/17/16 regarding maintenance of smoke barriers by the Administrator. 4. The maintenance director will examine the smoke barriers weekly for four weeks and then monthly for two months or until 100% compliance is achieved and thereafter to according to the facilities preventative maintenance plan. All results will be reported monthly x 3 months by the Maintenance Director to the Quality Assurance Performance Improvement committee comprised of the Medical Director, Administrator, Director of Nursing, Staffing Coordinator, Minimum Data Set Coordinator, Social Services, Activities Director, Dietary Manager, and Housekeeping Supervisor.	Completion Date 10/17/16	

DEPARTMENT OF HEALTH AND HUMAN SERVICES
CENTERS FOR MEDICARE & MEDICAID SERVICES

PRINTED: 09/29/2016
FORM APPROVED
OMB NO. 0938-0391

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION		(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER: 445445	(X2) MULTIPLE CONSTRUCTION A. BUILDING 01 - MAIN BUILDING 01 B. WING _____		(X3) DATE SURVEY COMPLETED 09/26/2016
NAME OF PROVIDER OR SUPPLIER CELINA HEALTH AND REHABILITATION CENTER			STREET ADDRESS, CITY, STATE, ZIP CODE 120 PITCOCK LANE CELINA, TN 38551		
(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETION DATE	
K 025	Continued From page 2 maintain the smoke barriers. The finding included: Observation on 9/26/16 at 9:58 AM, revealed a 1/2 inch ceiling penetration (hole) in the Nurse supply closet. NFPA 101, 19.3.7.3 (2000 Edition), NFPA 101, 8.3 (2000 Edition), This finding was verified by maintenance and acknowledged by the administrator during the exit conference on 9/26/16.	K 025			
K 029 SS=D	NFPA 101 LIFE SAFETY CODE STANDARD One hour fire rated construction (with 0 hour fire-rated doors) or an approved automatic fire extinguishing system in accordance with 8.4.1 and/or 19.3.5.4 protects hazardous areas. When the approved automatic fire extinguishing system option is used, the areas are separated from other spaces by smoke resisting partitions and doors. Doors are self-closing and non-rated or field-applied protective plates that do not exceed 48 inches from the bottom of the door are permitted. 19.3.2.1 This STANDARD is not met as evidenced by: Based on observations, the facility failed to maintain the hazardous areas. The findings included: 1. Observation on 9/26/16 at 9:45 AM, revealed the 200 hall oxygen storage room missing a self-closure device on the rated fire door rendering it incapable of self-closing. NFPA 101, 19.3.2.1 (2000 Edition) 2. Observation on 9/26/16 at 9:46 AM revealed a	K 029	1. The self-closure device was repaired on 10/4/16, the 200 hall Oxygen Storage Room hole was repaired on 10/4/16, and the 1/2 inch penetration in the kitchen boiler room was repaired on 10/15/16. 2. The remaining facility smoke barriers were inspected with no other deficient practices noted. 3. The maintenance department was inserviced on 10/17/16 regarding maintenance of smoke barriers by the Administrator. 4. The maintenance director will examine the smoke barriers weekly for four weeks and then monthly for two months or until 100% compliance is achieved and thereafter to according to the facilities preventative maintenance plan. All results will be reported monthly x 3 months by the Maintenance Director to the Quality Assurance Performance Improvement committee comprised of the Medical Director, Administrator, Director of Nursing, Staffing Coordinator, Minimum Data Set Coordinator, Social Services, Activities Director, Dietary Manager, and Housekeeping Supervisor.	Completion Date 10/17/16	

DEPARTMENT OF HEALTH AND HUMAN SERVICES
CENTERS FOR MEDICARE & MEDICAID SERVICES

PRINTED: 09/29/2016
FORM APPROVED
OMB NO. 0938-0391

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION		(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER: 445445	(X2) MULTIPLE CONSTRUCTION A. BUILDING 01 - MAIN BUILDING 01 B. WING _____		(X3) DATE SURVEY COMPLETED 09/26/2016
NAME OF PROVIDER OR SUPPLIER CELINA HEALTH AND REHABILITATION CENTER			STREET ADDRESS, CITY, STATE, ZIP CODE 120 PITCOCK LANE CELINA, TN 38551		
(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETION DATE	
K 029	Continued From page 3 three (3) inch hole in the sheetrock (corridor side) of the 200 hall oxygen storage room. NFPA 101, 19.3.2.1 (2000 Edition) 3. Observation on 9/26/16 at 10:43 AM, revealed a ½ inch penetration (copper water line) in the ceiling of the kitchen boiler room. NFPA 101, 19.3.2.1 (2000 Edition) These findings were verified by the maintenance director and acknowledged by the administrator during the exit conference on 9/26/16. NFPA 101 LIFE SAFETY CODE STANDARD Required automatic sprinkler systems are continuously maintained in reliable operating condition and are inspected and tested periodically. 19.7.6, 4.6.12, NFPA 13, NFPA 25, 9.7.6 This STANDARD is not met as evidenced by: Based on observations, the facility failed to maintain the sprinkler system. The findings included: 1. Observation on 9/26/16 at 10:15 AM through 10:25 AM, revealed storage within 18 inches of the sprinkler in the following locations: 102, 200, 201, 205, and the kitchen paper storage. NFPA 101, 19.3.5.1 (2000 Edition), NFPA 101, 9.7.1.1 (2000 Edition), NFPA 13, 5-5.6 (1999 Edition) 2. Observation on 9/26/16 at 10:27 AM, revealed (2 of 2) sprinklers covered with corrosion in the 100 hall electrical room. NFPA 101, 19.3.5.1 (2000 Edition), NFPA 101, 9.7.1.1 (2000 Edition), NFPA 13, 12-1 (1999 Edition) NFPA 25, 2-2.1.1 (1998 Edition)	K 029 K062	1. The storage within 18 inches of the sprinklers was removed on 9/28/16. The sprinklers were replaced on 9/28/16. The canopy was repaired on 10/7/16. 2. The remaining facility was inspected with no other deficient practices noted. 3. The maintenance department was inserviced on 10/17/16 regarding maintenance of smoke barriers by the Administrator. 4. The maintenance director will examine the facility for sprinkler system deficient practices weekly for four weeks and then monthly for two months or until 100% compliance is achieved and thereafter to according to the facilities preventative maintenance plan. All results will be reported monthly x 3 months by the Maintenance Director to the Quality Assurance Performance Improvement committee comprised of the Medical Director, Administrator, Director of Nursing, Staffing Coordinator, Minimum Data Set Coordinator, Social Services, Activities Director, Dietary Manager, and Housekeeping Supervisor.	Completion Date 10/17/16	
K 062 SS=F		K 062			

DEPARTMENT OF HEALTH AND HUMAN SERVICES
CENTERS FOR MEDICARE & MEDICAID SERVICES

PRINTED: 09/29/2016
FORM APPROVED
OMB NO. 0938-0391

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION		(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER: 445445	(X2) MULTIPLE CONSTRUCTION A. BUILDING 01 - MAIN BUILDING 01 B. WING _____		(X3) DATE SURVEY COMPLETED 09/26/2016
NAME OF PROVIDER OR SUPPLIER CELINA HEALTH AND REHABILITATION CENTER			STREET ADDRESS, CITY, STATE, ZIP CODE 120 PITCOCK LANE CELINA, TN 38551		
(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETION DATE	
K 062	Continued From page 4	K 062			
K 066 SS=D	<p>3. Observation on 9/26/16 at 10:30 AM, revealed a canopy constructed with combustible materials that extended over the nursing home roof without sprinkler coverage off the 200 hall courtyard exit. NFPA 101, 19.3.5.1 (2000 Edition), NFPA 101, 9.7.1.1 (2000 Edition), NFPA 13, 5-13.8.2 (1999 Edition)</p> <p>These findings were verified by the maintenance director and acknowledged by the administrator during the exit conference on 9/26/16.</p> <p>NFPA 101 LIFE SAFETY CODE STANDARD</p> <p>Smoking regulations are adopted and include no less than the following provisions:</p> <p>(1) Smoking is prohibited in any room, ward, or compartment where flammable liquids, combustible gases, or oxygen is used or stored and in any other hazardous location, and such area is posted with signs that read NO SMOKING or with the international symbol for no smoking.</p> <p>(2) Smoking by patients classified as not responsible is prohibited, except when under direct supervision.</p> <p>(3) Ashtrays of noncombustible material and safe design are provided in all areas where smoking is permitted.</p> <p>(4) Metal containers with self-closing cover devices into which ashtrays can be emptied are readily available to all areas where smoking is permitted. 19.7.4</p> <p>This STANDARD is not met as evidenced by: Based on observations, the facility failed to</p>	K 066			

DEPARTMENT OF HEALTH AND HUMAN SERVICES
CENTERS FOR MEDICARE & MEDICAID SERVICES

PRINTED: 09/29/2016
FORM APPROVED
OMB NO. 0938-0391

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION		(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER: 445445	(X2) MULTIPLE CONSTRUCTION A. BUILDING 01 - MAIN BUILDING 01 B. WING _____		(X3) DATE SURVEY COMPLETED 09/26/2016
NAME OF PROVIDER OR SUPPLIER CELINA HEALTH AND REHABILITATION CENTER			STREET ADDRESS, CITY, STATE, ZIP CODE 120 PITCOCK LANE CELINA, TN 38551		
(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETION DATE	
K 066	Continued From page 5 provide cigarette ash containers as required. The findings included: 1. Observation on 9/26/16 at 9:35 AM, revealed cigarette filters disposed in a combustible trash can outside under the employee entrance canopy. 2. Observation on 9/26/16 at 12:43 PM, revealed cigarette filters in the mulch around the front (drive under) canopy with no visible and available (non combustible) cigarette ash can. These findings were verified by the maintenance director and acknowledged by the administrator during the exit conference on 9/26/16.	K 066	1. Ashtrays were installed at the entrance and the employee entrance on 10/7/16. 2. The remaining facility was inspected with no other deficient practices noted. 3. The maintenance department was inserviced on 10/17/16 regarding maintenance of smoking material receptacles by the Administrator. 4. The maintenance director will examine the facility for smoking materials deficient practices weekly for four weeks and then monthly for two months or until 100% compliance is achieved	Completion Date 10/17/16	
K 072 SS=D	NFPA 101 LIFE SAFETY CODE STANDARD Means of egress shall be continuously maintained free of all obstructions or impediments to full instant use in the case of fire or other emergency. No furnishings, decorations, or other objects shall obstruct exits, access thereto, egress there from, or visibility thereof shall be in accordance with 7.1.10. 18.2.1, 19.2.1 This STANDARD is not met as evidenced by: Based on observations, the facility failed to maintain the emergency means of egress. The finding included: Observation on 9/26/16 at 10:32 AM, revealed the emergency exit through the courtyard was obstructed with vegetation (plants) and a flower pot. NFPA 101, 19.2.1 (2000 Edition), NFPA 101, 7.10.8.1 (2000 Edition)	K 072	and thereafter to according to the facilities preventative maintenance plan. All results will be reported monthly x 3 months by the Maintenance Director to the Quality Assurance Performance Improvement committee comprised of the Medical Director, Administrator, Director of Nursing, Staffing Coordinator, Minimum Data Set Coordinator, Social Services, Activities Director, Dietary Manager, and Housekeeping Supervisor.		

DEPARTMENT OF HEALTH AND HUMAN SERVICES
CENTERS FOR MEDICARE & MEDICAID SERVICES

PRINTED: 09/29/2016
FORM APPROVED
OMB NO. 0938-0391

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION		(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER: 445445	(X2) MULTIPLE CONSTRUCTION A. BUILDING 01 - MAIN BUILDING 01 B. WING _____		(X3) DATE SURVEY COMPLETED 09/26/2016
NAME OF PROVIDER OR SUPPLIER CELINA HEALTH AND REHABILITATION CENTER			STREET ADDRESS, CITY, STATE, ZIP CODE 120 PITCOCK LANE CELINA, TN 38551		
(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETION DATE	
K 072	Continued From page 6 This finding was verified by the maintenance director and acknowledged administrator during the exit conference on 9/26/16.	K 072			
K 130 SS=F	NFPA 101 MISCELLANEOUS OTHER LSC DEFICIENCY NOT ON 2786 This STANDARD is not met as evidenced by: 4.6.1.2 Any requirements that are essential for the safety of building occupants and that are not specifically provided for by this Code shall be determined by the authority having jurisdiction. Construction. Buildings or structures occupied or used in accordance with the individual occupancy chapters (Chapters 12 through 42) shall meet the minimum construction requirements of those chapters. NFPA 220, Standard on	K 072 K 130	1. The items were removed from the egress on 9/27/16. 2. The remaining facility was inspected with no other deficient practices noted. 3. The maintenance department was inserviced on 10/17/16 regarding maintenance of means of egress by the Administrator. 4. The maintenance director will examine the facility for proper exit deficient practices weekly for four weeks and then monthly for two months or until 100% compliance is achieved and thereafter to according to the facilities preventative maintenance plan. All results will be reported monthly x 3 months by the Maintenance Director to the Quality Assurance Performance Improvement committee comprised of the Medical Director, Administrator, Director of Nursing, Staffing Coordinator, Minimum Data Set Coordinator, Social Services, Activities Director, Dietary Manager, and Housekeeping Supervisor.	Completion Date 10/17/16	
	Types of Building Construction, shall be used to determine the requirements for the construction classification. Where the building or facility includes additions or connected structures of different construction types, the rating and classification of the structure shall be based on either of the following: (1) Separate buildings if a 2-hour or greater fire barrier wall in accordance with NFPA 221, Standard for Fire Walls and Fire Barrier Walls, exists between the portions of the building Exception: The requirement of 8.2.1(1) shall not apply to previously				

DEPARTMENT OF HEALTH AND HUMAN SERVICES
CENTERS FOR MEDICARE & MEDICAID SERVICES

PRINTED: 09/29/2016
FORM APPROVED
OMB NO. 0938-0391

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION		(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER: 445445	(X2) MULTIPLE CONSTRUCTION A. BUILDING 01 - MAIN BUILDING 01 B. WING _____		(X3) DATE SURVEY COMPLETED 09/26/2016
NAME OF PROVIDER OR SUPPLIER CELINA HEALTH AND REHABILITATION CENTER			STREET ADDRESS, CITY, STATE, ZIP CODE 120 PITCOCK LANE CELINA, TN 38551		
(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETION DATE	
K 130	Continued From page 7 approved separations between buildings. (2) The least fire-resistive type of construction of the connected portions, if no such separation is provided 8.2.2 Compartmentation. 8.2.2.1 Where required by Chapters 12 through 42, every building shall be divided into compartments to limit the spread of fire and restrict the movement of smoke. 8.2.2.2* Fire compartments shall be formed with fire barriers that are continuous from outside wall to outside wall, from one fire barrier to another, or a combination thereof, including continuity through all concealed spaces, such as these	K 130	1. The area was inspected on 10/2/16 by a contractor for contract for repair as well as on 10/10/16. A contract to repair the walls will be entered into by the facility and repairs initiated as soon as possible with the contractor. 2. The remaining facility was inspected with no other deficient practices noted. 3. The maintenance department was inserviced on 10/17/16 regarding maintenance of means of egress by the Administrator. 4. The maintenance director will	Completion Date 10/17/16	
	found above a ceiling, including interstitial spaces. Walls used as fire barriers shall comply with Chapter 3 of NFPA 221, Standard for Fire Walls and Fire Barrier Walls. 8.2.3.2.3.1 Every opening in a fire barrier shall be protected to limit the spread of fire and restrict the movement of smoke from one side of the fire barrier to the other. The fire protection rating for opening protectives shall be as follows: (1) 2-hour fire barrier - 1 1/2-hour fire protection rating (2) 1-hour fire barrier - 1-hour fire protection rating where used for vertical openings or exit enclosures, or 3/4-hour fire protection rating where used for other than vertical		examine the facility for proper means of egress weekly for four weeks and then monthly for two months or until 100% compliance is achieved and thereafter to according to the facilities preventative maintenance plan. All results will be reported monthly x 3 months by the Maintenance Director to the Quality Assurance Performance Improvement committee comprised of the Medical Director, Administrator, Director of Nursing, Staffing Coordinator, Minimum Data Set Coordinator, Social Services, Activities Director, Dietary Manager, and Housekeeping Supervisor.		

DEPARTMENT OF HEALTH AND HUMAN SERVICES
CENTERS FOR MEDICARE & MEDICAID SERVICES

PRINTED: 09/29/2016
FORM APPROVED
OMB NO. 0938-0391

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION		(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER: 445445	(X2) MULTIPLE CONSTRUCTION A. BUILDING 01 - MAIN BUILDING 01 B. WING _____		(X3) DATE SURVEY COMPLETED 09/26/2016
NAME OF PROVIDER OR SUPPLIER CELINA HEALTH AND REHABILITATION CENTER			STREET ADDRESS, CITY, STATE, ZIP CODE 120 PITCOCK LANE CELINA, TN 38551		
(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETION DATE	
K 130	Continued From page 8 openings or exit enclosures, unless a lesser fire protection rating is specified by Chapter 7 or Chapters 11 through 42 NFPA 221 4.1 (2000 Edition) The fire resistance rating of the wall assembly shall be as required by the applicable code or standard. Assemblies shall be tested and rated in accordance with NFPA 251. Based on observations, the facility failed to maintain the fire walls in the attic. The findings included: 1. Observation on 11:24 AM through 11:30 AM, revealed fire walls not fully constructed to the deck in the following areas: a. 100 hall (2 firewalls) b. 200 hall (1 fire wall) c. 300 hall (1 fire wall) NFPA 101, 4.6.1.2 (2000 Edition), NFPA 101, 8.2.2.2 (2000 Edition), NFPA 221, 3.1 (2000) NFPA 221, 4.1 (2000 Edition) 2. Observation on 9/26/16 at 11:31 AM through 11:35 AM, revealed penetrations around HVAC ducts (dampers) going through firewalls in the following locations: a. 100 hall (2 firewalls) b. 200 hall (1 firewall) c. 300 hall (1 firewall) NFPA 101, 4.6.1.2 (2000 Edition), NFPA 101, 8.2.3.2.3.1 (2000 Edition) These findings were verified by the maintenance assistant and acknowledged by the administrator and maintenance director during the exit conference on 9/26/16.	K 130			

10:17 AM 10:05

PRINTED: 09/29/2016
FORM APPROVED

Division of Health Care Facilities

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER: TN1401	(X2) MULTIPLE CONSTRUCTION A. BUILDING: 02 - STATE BUILDING B. WING: _____	(X3) DATE SURVEY COMPLETED 09/26/2016
--	--	--	--

NAME OF PROVIDER OR SUPPLIER
CELINA HEALTH AND REHABILITATION CENTI

STREET ADDRESS, CITY, STATE, ZIP CODE
120 PITCOCK LANE
CELINA, TN 38551

(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETE DATE
N 901	<p>1200-8-6-.09(1) Life Safety</p> <p>(1) Any nursing home which complies with the required applicable building and fire safety regulations at the time the board adopts new codes or regulations will, so long as such compliance is maintained (either with or without waivers of specific provisions), be considered to be in compliance with the requirements of the new codes or regulations.</p> <p>This Rule is not met as evidenced by: Based on observations, the facility failed to comply with the applicable building and fire safety regulations as required.</p> <p>The findings included:</p>	N 901		
	<p>1. Observation on 9/26/16 at 12:39 PM, revealed the handicap (resident) accessible restroom did not have a visible International Symbol of Accessibility sign posted on or around the door as required. American Disabilities Act (ADA) 703.7.2 (2010 Edition)</p> <p>2. Observation on 9/26/16 at 12:42 PM, revealed the front drive under canopy was constructed with mixed (combustible and non-combustible) materials without sprinkler coverage. The combustible material was comprised of two (2) sheets of 4x8 plywood that was painted over to match the other material (non-combustible). NFPA 13, 8.5.5.3.1 (2010 Edition)</p> <p>These findings were verified by the maintenance director and acknowledged by the administrator during the exit conference on 9/26/16.</p>	N901	<p>1. The handicap accessible sign was ordered on 10/4/16. The combustible material on the canopy was replaced on 10/7/16</p> <p>2. The remaining facility was inspected with no other deficient practices noted.</p> <p>3. The maintenance department was inserviced on 10/17/16 regarding maintaining building regulations by the Administrator.</p> <p>4. The maintenance director will examine the facility for other deficient practices weekly for four weeks and then monthly for two months or until 100% compliance is achieved and thereafter to according to the facilities preventative maintenance plan. All results will be reported monthly x 3 months by the Maintenance Director to the Quality Assurance Performance Improvement committee comprised of the Medical Director, Administrator, Director of Nursing, Staffing Coordinator, Minimum Data Set Coordinator, Social Services, Activities Director, Dietary Manager, and Housekeeping Supervisor.</p>	<p>Completion Date 10/17/16</p>

Division of Health Care Facilities

LABORATORY DIRECTOR'S OR PROVIDER/SUPPLIER REPRESENTATIVE'S SIGNATURE

TITLE

(X6) DATE

STATE FORM

6869

H80V21

If continuation sheet 1 of 1

Paula Bore, NHA

Administrator

10/17/16



State of Tennessee
Health Services and Development Agency

Andrew Jackson, 9th Floor, 502 Deaderick Street, Nashville, TN 37243
www.tn.gov/hsda Phone: 615-741-2364 Fax: 615-741-9884

September 1, 2017

Mr. Graham Baker, Esq.
Anderson and Baker
2120 Richard Jones Road
Nashville, TN 37215

RE: Certificate of Need Application – Celina Health and Rehabilitation - CN1708-024

The addition of 12 dually certified beds to Celina Health and Rehabilitation Center's existing 66 bed nursing home facility. These beds are subject to the 125 Nursing Home Bed Pool for FY 2017-2018. The service area consists of Clay County. The applicant is owned by Integrity Healthcare of Celina, LLC. The estimated project cost is \$1,199,000.

Dear Mr. Baker:

This is to acknowledge the receipt of supplemental information to your application for a Certificate of Need. Please be advised that your application is now considered to be complete by this office.

Your application is being forwarded to Trent Sansing at the Tennessee Department of Health for Certificate of Need review by the Division of Policy, Planning and Assessment. You may be contacted by Mr. Sansing or someone from his office for additional clarification while the application is under review by the Department. Mr. Sansing's contact information is Trent.Sansing@tn.gov or 615-253-4702.

In accordance with Tennessee Code Annotated, §68-11-1607, et seq., as amended by Public Chapter 780, the 60-day review cycle for this project will begin on September 1, 2017. The first 60 days of the cycle are assigned to the Department of Health, during which time a public hearing may be held on your application. You will be contacted by a representative from this Agency to establish the date, time and place of the hearing should one be requested. At the end of the 60-day period, a written report from the Department of Health or its representative will be forwarded to this office for Agency review. You will receive a copy of their findings. The Health Services and Development Agency will review your application on December 13, 2017.

Any communication regarding projects under consideration by the Health Services and Development Agency shall be in accordance with T.C.A. § 68-11-1607(d):

- (1) No communications are permitted with the members of the agency once the Letter of Intent initiating the application process is filed with the agency. Communications between agency members and agency staff shall not be prohibited. Any communication received by an agency member from a person unrelated to the applicant or party opposing the application shall be reported to the Executive Director and a written summary of such communication shall be made part of the certificate of need file.
- (2) All communications between the contact person or legal counsel for the applicant and the Executive Director or agency staff after an application is deemed complete and placed in the review cycle are prohibited unless submitted in writing or confirmed in writing and made part of the certificate of need application file. Communications for the purposes of clarification of facts and issues that may arise after an application has been deemed complete and initiated by the Executive Director or agency staff are not prohibited.

Should you have questions or require additional information, please contact me.

Sincerely,



Melanie M. Hill
Executive Director

cc: Trent Sansing, TDH/Health Statistics, PPA



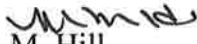
State of Tennessee

Health Services and Development Agency

Andrew Jackson, 9th Floor, 502 Deaderick Street, Nashville, TN 37243
www.tn.gov/hsda Phone: 615-741-2364 Fax: 615-741-9884

MEMORANDUM

TO: Trent Sansing, CON Director
Office of Policy, Planning and Assessment
Division of Health Statistics
Andrew Johnson Tower, 2nd Floor
710 James Robertson Parkway
Nashville, Tennessee 37243

FROM: 
Melanie M. Hill
Executive Director

DATE: September 1, 2017

RE: Certificate of Need Application
Celina Health and Rehabilitation - CN1708-024

Please find enclosed an application for a Certificate of Need for the above-referenced project.

This application has undergone initial review by this office and has been deemed complete. It is being forwarded to your agency for a sixty (60) day review period to begin on September 1, 2017 and end on November 1, 2017.

Should there be any questions regarding this application or the review cycle, please contact this office.

Enclosure

cc: Graham Baker



State of Tennessee
Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243
www.tn.gov/hsda Phone: 615-741-2364 Fax: 615-741-9884

AUG 08 17 AM 10:20

LETTER OF INTENT

The Publication of Intent is to be published in the Citizen Statesman which is a newspaper of general circulation in Clay County, Tennessee, on or before August 08, 2017, for one day.

=====

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 *et seq.*, and the Rules of the Health Services and Development Agency, that Celina Health and Rehabilitation Center ("Applicant"), 120 Pitcock Lane, Celina (Clay County), Tennessee 38551, a licensed sixty-six (66) bed nursing home owned by Integrity Healthcare of Celina, LLC, 801 Broad Street, Suite 300, Chattanooga, TN 37402, with an ownership type of Limited Liability Company (LLC) and managed by Grace Healthcare, LLC, a Delaware limited liability company having an office at 7201 Shallowford Road, Suite 200, Chattanooga, TN 37421, intends to file a Certificate of Need application for the addition of twelve (12) nursing home beds to be requested from the statutory pool of beds authorized at T.C.A. §68-11-1622. All existing beds at the Applicant's nursing home are dually certified, as will be the requested additional beds, if approved. An approximate 3,473 Gross Square Feet addition will be added to the existing facility, which addition will house the requested additional beds plus space for patient therapy and staff work area. The requested beds will be licensed by the Tennessee Department of Health as nursing home beds, as are the already-approved beds at the Applicant's facility. There is no major medical equipment involved with this project. No other health services will be initiated or discontinued. It is proposed that the Applicant will continue to serve Medicare, Medicaid, commercially insured, and private-pay patients. The estimated project cost is anticipated to be approximately \$1,199,000.00, including a \$15,000.00 filing fee.

The anticipated date of filing the application is: August 11, 2017.

The contact person for this project is E. Graham Baker, Jr., Attorney, who may be reached at Anderson & Baker, 2021 Richard Jones Road, Suite 120, Nashville, TN 37215, 615/370-3380.


(Signature)

08/08/2017
(Date)

graham@grahambaker.net
(E-mail Address)

The Letter Of Intent must be filed in triplicate and received between the first and the tenth day of the month. If the last day for filing is a Saturday, Sunday or State Holiday, filing must occur on the preceding business day. File this form at the following address:

**Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, Tennessee 37243**

The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

=====



State of Tennessee
Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243
www.tn.gov/hsda Phone: 615-741-2364 Fax: 615-741-9884

NOTICE

PUBLICATION OF INTENT

The following shall be published in the "Legal Notices" section of the newspaper in a space no smaller than two (2) columns by two (2) inches.

NOTIFICATION OF INTENT TO APPLY FOR A CERTIFICATE OF NEED

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 *et seq.*, and the Rules of the Health Services and Development Agency, that Celina Health and Rehabilitation Center ("Applicant"), 120 Pitcock Lane, Celina (Clay County), Tennessee 38551, a licensed sixty-six (66) bed nursing home owned by Integrity Healthcare of Celina, LLC, 801 Broad Street, Suite 300, Chattanooga, TN 37402, with an ownership type of Limited Liability Company (LLC) and managed by Grace Healthcare, LLC, a Delaware limited liability company having an office at 7201 Shallowford Road, Suite 200, Chattanooga, TN 37421, intends to file a Certificate of Need application for the addition of twelve (12) nursing home beds to be requested from the statutory pool of beds authorized at T.C.A. §68-11-1622. All existing beds at the Applicant's nursing home are dually certified, as will be the requested additional beds, if approved. An approximate 3,473 Gross Square Feet addition will be added to the existing facility, which addition will house the requested additional beds plus space for patient therapy and staff work area. The requested beds will be licensed by the Tennessee Department of Health as nursing home beds, as are the already-approved beds at the Applicant's facility. There is no major medical equipment involved with this project. No other health services will be initiated or discontinued. It is proposed that the Applicant will continue to serve Medicare, Medicaid, commercially insured, and private-pay patients. The estimated project cost is anticipated to be approximately \$1,199,000.00, including a \$15,000.00 filing fee.

The anticipated date of filing the application is: August 11, 2017.

The contact person for this project is E. Graham Baker, Jr., Attorney, who may be reached at Anderson & Baker, 2021 Richard Jones Road, Suite 120, Nashville, TN 37215, 615/370-3380.

Upon written request by interested parties, a local Fact-Finding public hearing shall be conducted. Written requests for hearing should be sent to:

**Health Services and Development Agency
Andrew Jackson Building, 9th Floor
500 Deaderick Street
Nashville, Tennessee 37243**

The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

Supplemental #1

Celina Health &
Rehabilitation Center

CN1708-024

ANDERSON & BAKER
An Association of Attorneys
2021 RICHARD JONES ROAD, SUITE 120
NASHVILLE, TENNESSEE 37215-2874

SUPPLEMENTAL #1
August 25, 2017
1:15 pm
AUG 25 17 PM 1:15

ROBERT A. ANDERSON
Direct: 615-383-3332
Facsimile: 615-383-3480

E. GRAHAM BAKER, JR.
Direct: 615-370-3380
Facsimile: 615-221-0080

August 25, 2017

Phillip Earhart, Health Services Examiner
State of Tennessee
Health Services and Development Agency
Andrew Jackson State Office Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243

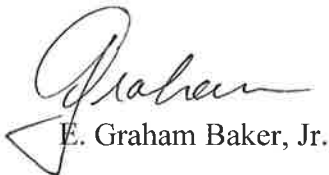
Hand-Delivered

Re: Certificate of Need Application CN1708-024
Celina Health and Rehabilitation Center
Supplemental Responses

Dear Mr. Earhart:

Please find attached the Applicant's responses to your first set of Supplemental Questions.
Please contact me if you have any additional questions.

Sincerely,


E. Graham Baker, Jr.

Encl: As Noted

August 25, 2017

1:15 pm

1. Section A, Executive Summary, Overview, A.8

On page 3 the applicant notes the anticipation of 76.2 FTEs. However, in a table on page 33 the applicant notes 80.25 FTEs in Year One. Please clarify.

Response: The table on page 33 requests that contract employees be included in the calculation.

The calculations that were used on page 3 included actual employees only. There are no contract positions included in that response, as none were requested.

August 25, 2017

1:15 pm

2. Section A, Project Details, Item B. Ownership

It is noted Celina Health and Rehabilitation Center is 100% owned by Integrity Healthcare of Celina, LLC. Please identify the members of Integrity Healthcare of Celina, LLC and each member's percentage of ownership, for those with 5% ownership or greater.

Response: J-M Investments, LLC and O'Brien Investments, LLC both own 50% of Integrity Healthcare of Celina, LLC.

August 25, 2017

1:15 pm

3. Section A, Project Details, Item 5. Management/Operating Entity

Please provide a brief overview of Grace Healthcare, LLC and their experience in managing nursing homes.

Response: Grace Healthcare is a privately owned healthcare organization established in 1999 that supports skilled nursing, assisted living and rehabilitation facilities. Grace currently manages 32 facilities in 7 states including, Tennessee, Georgia, Florida, Maryland, Michigan, Wisconsin and Virginia. The main concentration of properties are in Tennessee at 19 of the 32. Grace manages both related party properties as well as third party facility management contracts.

August 25, 2017

1:15 pm

4. Section A, Project Details, Item 6.A. Legal Interest in Site

The lease document is noted. However, the lease term and expense could not be located in the lease agreement. Please provide the location in the existing lease.

Response: Refer to second paragraph on the Deed of Trust Note attached (Supplemental Deed of Trust). The HUD note term is 10/1/2011 to 10/1/2030. The lease term is tied to the note. See item 4 page 1 of 05(c) - Recorded Memorandum of Lease and Sublease – Celina (Supplemental Recorded Memorandum). The amount of the lease is set by Exhibit A, item 2 CEL Lease Agreement attached (Supplemental CEL Lease).

In addition, please explain the relation between the Master Lease and Sublease and the entities involved in both documents.

Response: This is a HUD Facility Master Lease:

Landlord: Celina Property Investment, LLC

Master Tenant: CJC Leasing, LLC

Subtenant: Integrity Healthcare of Celina, LLC

The Master Lease and subleases were attached to the original filing as Attachment A.6.A.

August 25, 2017**1:15 pm****5. Section A, Project Details, Item 6B-(1) Plot Plan and 6B-(2) Floor Plan**

On page 6 the applicant notes the site size is 3.5 acres, however the plot plan list the site size as 6.18 acres. Please clarify.

Response: Both page 6 and the plot plan (Attachment A.6.B.1) are correct. Please note the plot of land on which the nursing home is located, bordering Pitcock Lane. That piece of property has a notation as follows:

CURRENT EXISTING LOT OF RECORD

154,158 Sq. Ft

3.53 Acres

printed on the lower right of the plot plan. The 6.1818 Acres plot is a separate plot of land to the immediate south of the nursing home property.

Please submit a revised plot plan that clearly includes the size of site (in acres), location of the structure (labeled), and location of the proposed construction (labeled).

Response: The VICINITY MAP insert in the top right of Attachment A.6.B.1 (plot plan) is also correct, but hard to read because everything had to be reduced to 8 ½ by 11 paper. The insert notes the new construction (“PROJECT LOCATION”). The remainder of the footprint is the existing facility. Attachment A.6.B.2 also shows the NEW ADDITION, with a demarcation showing the difference between the EXISTING facility and NEW CONSTRUCTION.

A new attachment (Supplemental A.6.B.1) is attached in an effort to more clearly show the location of proposed construction.

The floor plan is noted, however please submit a revised floor plan drawing which includes labeling of patient care rooms (noting private or semi-private).

Response: Please see Supplemental A.6.B.2.

August 25, 2017**1:15 pm**

Please complete the following chart.

**Celina Health and Rehabilitation Center
Patient Accommodation Mix-2015 JAR**

Nursing Home	Licensed Beds	Total Private Beds	Total Semi-Private Beds	Total Companion Beds	Ward Beds
Celina Health and Rehabilitation Center	66	2	60	0	4

Please clarify the reason the applicant is not proposing to add 6 private rooms rather than 3 semi-private rooms.

Response: Several factors led the Applicant to the decision to add 3 semi-private rooms: (1) there is no great demand for private rooms at our facility; (2) it is more cost-efficient to add 3 semi-private rooms than 6 private rooms; (3) due to the slope of the land around our facility, the area available for new construction lends itself to a smaller footprint, thereby necessitating semi-private rooms as opposed to private rooms.

August 25, 2017

1:15 pm

6. Section A, Project Details, Item 12, Square Footage and Cost per Square Footage Chart

Please clarify the reason 261 SF is designated as renovation for “new patient rooms in the square footage and cost per square footage chart.”

Response: The 261 GSF renovation is really for the existing therapy space, located between patient room number 100 and the nursing home office. A corrected page 10 is attached.

Please describe the larger physical therapy suite as part of this project.

Response: The existing 261 GSF of physical therapy space has been outgrown. Physical Therapy is a more important part of the patient care we deliver now, than it was when the facility was first built. Therefore, as a part of the new construction, we are adding 641 GSF of new therapy space.

August 25, 2017**1:15 pm****7. Section B, Need, Item A**Nursing Home Services Specific Criteria:Item 1 Determination of Need

Please provide a copy of the latest standardized TDH bed need chart that indicates the results of the nursing home need formula for each county.

Response: The chart is attached as Supplemental B.A. It is entitled “NURSING HOME BED NEED BASED UPON THE OLD RATIO STANDARDS METHODOLOGY USED FOR MEDICARE BEDS NEED CALCULATIONS, BY COUNTY AND STATE TOTAL, 2018 (Based on 2015 UTCBER Projection Series*).” This is the document supplied to the Applicant’s contact in late July, 2017 upon his request for the latest nursing home bed need projections. We apologize for not having a clean copy of this document, as the Applicant’s contact had written on four county’s names (Clay, Jackson, Macon, and Overton). However, the data (and bed need statistics) are clear and legible.

Item 8: Encouraging Facility Modernization

Please indicate if the proposed beds will improve the patient-centered nature of the facility by adding home-like features such as private rooms and/or home like amenities.

Response: As stated earlier, there will be no private rooms as part of this new construction. The rooms and beds being added will meet or exceed all standards for nursing home care in Tennessee.

What is the age of the existing 66 bed nursing home facility? When was the last expansion or renovation?

Response: The building is 42 years old. A new roof was added in 2009, and a general renovation of the total facility was concluded in 2010.

Please clarify if the square footage of the rooms in the new addition will be larger than existing rooms.

Response: The majority of the existing patient rooms are 217 square feet, including a 27 square foot toilet room. There are also eight existing patient rooms that are 268 square feet, including an 18 square foot toilet room. The new patient rooms are 264.5 square feet which includes a 47.5 square foot toilet room. The new patient rooms have been designed to meet the 2010 ADA Standards for wheelchair accessibility.

August 25, 2017

1:15 pm

Item 10: Community Linkage Plan

Please indicate if the applicant has any letters of support from providers in support of the proposed 12 bed addition that details instances of unmet need for nursing home services.

Response: There are no letters of support at the time of filing the application.

Item 11: Access

Please clarify if there is limited access in Clay County to services that enable patients to stay in a less restrictive and less costly environment rather than a nursing home.

Response: Clay County does not have any other licensed nursing home beds. Preliminary research indicates there are no assisted living facilities but there is one group home. The Applicant is unsure if any TennCare Choice Providers are providing services in the county. The Applicant has been asked to apply for the PSSA license so we can provide assistance in personal homes.

Item 12: Quality Control and Monitoring

Please provide the current rating of the applicant by CMS' Nursing Home Compare.

Response: The facility is currently rated as 5 star.

August 25, 2017**1:15 pm****8. Section B, Need, Item D.1 Demographics**

The demographic table on page 16 is noted. However, it appears the entire chart is not on the page and is partially missing data in the TennCare Enrollee column. Please provide a replacement page 16 with the entire demographic table.

Response: The requested chart has been adjusted, and Replacement Page 16 is attached.

August 25, 2017**1:15 pm****9. Section C, Need, Item F.**

It is noted the estimates in Year One and Year Two is based on actual utilization experience of the management company when adding similar numbers of beds to similarly-sized facilities in the past. Please expand your response to include which nursing homes the applicant is referring in relation to the management companies' experience.

Response: Hillview Health & Rehabilitation Center in Elizabethton, TN is the facility that most nearly matches the Applicant's bed size.

Your response is noted. Please complete the following tables:

Nursing Home Utilization-2015

Name	Lic. Beds	Beds-MCAR E only-certified	Beds-Dually Certified	Beds Level 1 certified MCAID	License d Only Beds Non-Certified	SNF MCAR E ADC	Level 2 MCAID ADC	skilled All other Payors ADC	Non-skilled ADC	Total ADC
Celina Health and Rehabilitation Center	66	0	66	0	0	10.5	0	51.4	0	61.9

Source: Nursing Home JAR, 2015 (legend: Medicare=MCARE; TennCare/Medicaid=MCAID)

Nursing Home Utilization Trends-2013-2015

Facility	Licensed Beds	2013 Patient Days	2014 Patient Days	2015 Patient Days	'13-'15 % change	2013 % Occupancy	2014 % Occupancy	2015 % Occupancy
Celina Health and Rehabilitation Center	66	21399	23061	22614	5%	89%	96%	94%

Source: Nursing Home JAR, 2013-2015

Proposed 12 beds -Projected Utilization

Year	Licensed Beds	*Medicare-certified beds	SNF Medicare ADC	Level 2 Medicaid ADC	SNF All other Payors ADC	Non-Skilled ADC	Total ADC	Licensed Occupancy %
1	12	12	5.8	0	3.2	0	9	75%
2	12	12	7.0	0	4.0	0	11	92%

* Includes dually-certified beds

SUPPLEMENTAL #1**August 25, 2017****1:15 pm****78 Bed Facility-Projected Utilization**

Year	Licensed Beds	*Medicare-certified beds	SNF Medicare ADC	Level 2 Medicare ADC	SNF All other Payors ADC	Non-Skilled ADC	Total ADC	Licensed Occupancy %
1	78	78	10.8	0	61.2	0	72	93%
2	78	78	12.0	0	62.0	0	74	95%

* Includes dually-certified beds

August 25, 2017

1:15 pm

10. Section B, Economic Feasibility, Item B (Funding)

The two letters from commercial lenders to fund the \$1,199,000 project is noted. However, the maximum amount either bank will lend is \$1,000,000. Please clarify if the applicant will use a combination of the two commercial loans to fund the remaining \$199,000 balance of the proposed project.

Response: Both lenders are interested in funding the project, as evidenced by their respective letters. The Applicant will attempt to complete the project for a total project cost just under the amount stated in the application. If not, the Applicant will utilize a combination of both lenders.

August 25, 2017

1:15 pm

11. Section B, Economic Feasibility, Item C - Historical Data Chart

There appears to be calculation errors in the 2016 column of the Historical Data Chart. Please correct and submit a revised Historical Data Chart.

Response: Please see Replacement Page 22.

The Historical Data Chart line D.6 representing other operating expenses for Year 2014, 2015, and 2016 on page 21 is noted. However, the totals (2014 and 2016) do not match the breakout of expenses totals for the same categories on page 22. Please correct and submit replacement pages.

Response: Please see Replacement Page 22.

August 25, 2017

1:15 pm

12. Section B, Economic Feasibility, Item D - Projected Data Chart

The Projected Data Charts for the Total Facility and Project Only are noted. However, please clarify the reason there is no interest designated in the charts when it appears the applicant is financing the existing facility and proposed 12 bed addition.

Response: The financing is/will be held by the property company from which the operator is leasing the physical asset. There is only a lease payment for the operator and not a related mortgage which would carry interest.

Please clarify the reason there are no amounts designated for depreciation in the two submitted Projected Data Charts.

Response: The operator, Celina Healthcare, does not carry the physical assets on its financials. The physical assets are carried on the property company's financial. The property company carries a replacement reserve through HUD for reimbursement of assets. Assets purchased for operations are reimbursed through the replacement reserve and transferred to the property company.

August 25, 2017

1:15 pm

13. Section B, Economic Feasibility, Item E

The table of the project's average gross charge, average deduction from operating revenue, and average net charge is noted. However, please complete Year One and Year Two columns using the Projected Data Chart for the proposed 12 bed addition only. Please revise and submit a replacement page 28.

Response: Please see Replacement Page 28.

August 25, 2017**1:15 pm****14. Section B, Economic Feasibility, Item G**

The projected payor mix table for Year One is noted. However, the projected gross operating revenue totals does not match any of the submitted Projected Data Charts. Please revise and submit a replacement page 32 to reflect the payor mix of the total facility and of the 12 bed addition Projected Data Charts.

Response: Please see Replacement page 32.

August 25, 2017

1:15 pm

15. Section B, Orderly Development, Item D (1) and D (2)

The submitted nursing home license for the applicant is noted. However, the licensed expired July 28, 2017. Please submit a copy of the current license.

Response: A copy of the new license is attached (Supplemental B.OD.D.1).

It is noted the applicant submitted a plan of correction on October 26, 2017 as a result of the licensure September 26, 2016 survey. Please provide documentation that all deficiencies/findings have been corrected by providing a letter from the appropriate agency.

Response: A copy of the letter from TDOH is attached (Supplemental B.OD.D.2).

The September 26, 2017 licensure survey indicated several life safety code deficiencies. Please clarify if the applicant has been cited for any additional life safety code deficiencies since the September 26, 2017 survey.

Response: The Applicant has not been cited for any additional life safety code deficiencies since the September 26, 2017 survey.

24. Section B. Quality Measures

Please discuss the applicant's commitment to the proposal in meeting appropriate quality standards by addressing each of the following factors:

- (a) Whether the applicant commits to maintaining an actual payor mix that is comparable to the payor mix projected in its CON application, particularly as it relates to Medicare, TennCare/Medicaid, Charity Care, and the Medically Indigent;

Response: Yes.

- (b) Whether the applicant commits to maintaining staffing comparable to the staffing chart presented in its CON application;

Response: Yes.

- (c) Whether the applicant will obtain and maintain all applicable state licenses in good standing;

Response: Yes.

- (d) Whether the applicant will obtain and maintain TennCare and Medicare certification(s), if participation in such programs was indicated in the application;

Response: Yes.

- (e) Whether an existing healthcare institution applying for a CON has maintained substantial compliance with applicable federal and state regulation for the three years prior to the CON application. In the event of non-compliance, the nature of non-compliance and corrective action shall be considered;

Response: The Applicant is in compliance.

- (f) Whether an existing health care institution applying for a CON has been decertified within the prior three years. This provision shall not apply if a new, unrelated owner applies for a CON related to a previously decertified facility;

Response: None have been decertified.

- (g) Whether the applicant will participate, within 2 years of implementation of the project, in self-assessment and external peer assessment processes used by health care organizations to accurately assess their level of performance in relation to established standards and to implement ways to continuously improve.

Response: Quarterly QAPI reviews are completed to continually review quality measures services provided to assure improvement in processes and resident care. This is an ongoing initiative.

August 25, 2017

1:15 pm

1. This may include accreditation by any organization approved by Centers for Medicare and Medicaid Services (CMS) and other nationally recognized programs. The Joint Commission or its successor, for example, would be acceptable if applicable. Other acceptable accrediting organizations may include, but are not limited to, the following:

For Nursing Home projects, whether the applicant has documented its existing or proposed plan for data reporting, quality improvement, and outcome and process monitoring systems, including in particular details on its Quality Assurance and Performance Improvement program. As an alternative to the provision of third party accreditation information, applicants may provide information on any other state, federal, or national quality improvement initiatives.

Response: The Applicant will comply with all data reporting, quality improvement, and outcome and process monitoring systems at both the state and federal levels.

August 25, 2017

1:15 pm

16. Proof of Publication

Please submit a copy of the full page of the newspaper in which the notice of affidavit which is supplied by the newspaper as proof of the publication of the letter of intent.

Response: Proof of Publication is attached (*Citizen-Statesman*, Tuesday, August 8, 2017, full page 8).

State of Tennessee

Deed of Trust Note
(Corporate)

FHA Project No. 086-22024

\$3,084,200.00

Nashville, Tennessee
as of September 1, 2011

FOR VALUE RECEIVED the undersigned, **CELINA PROPERTY INVESTMENT, LLC**, a Tennessee limited liability company, promises to pay to **RED MORTGAGE CAPITAL, LLC**, a Delaware limited liability company, or order, at its principal place of office at Two Miranova Place, 12th Floor, Columbus, Ohio 43215, or at such other place as may be designated in writing by the holder of this Deed of Trust Note, the principal sum of **THREE MILLION EIGHTY-FOUR THOUSAND TWO HUNDRED AND 00/100THS DOLLARS (\$3,084,200.00)**, with interest thereon from the date hereof at the rate of Four and Three hundredths per centum (4.03%) per annum on the unpaid balance until paid. The principal and interest shall be payable in monthly installments as follows:

Interest only shall be due and payable October 1, 2011. Thereafter, commencing on November 1, 2011, monthly installments of principal and interest at the aforementioned rate shall be due and payable in the amount of Nineteen Thousand Three Hundred Eighty-Two and 25/100ths Dollars (\$19,382.25) each, such payments to continue monthly thereafter on the first day of each month until the entire indebtedness has been paid in full. In any event, the balance of principal (if any) remaining unpaid, plus accrued interest shall be due and payable on October 1, 2030. The installments of principal and interest shall be applied first to interest at the rate aforesaid upon the principal sum or so much thereof as shall from time to time remain unpaid, and the balance thereof shall be applied on account of principal.

Both principal and interest shall be payable at the aforesaid office of **RED MORTGAGE CAPITAL, LLC**, or such other place as the holder may designate in writing.

This Deed of Trust Note (the "Note") is secured by a Deed of Trust (the "Deed of Trust") upon real estate in Celina, Clay County, Tennessee, and is to be construed according to the laws of the State of Tennessee.

If default be made in the payment of any installment under this Note, and if such default is not made good prior to the due date of the next such installment, the entire principal sum and accrued interest shall at once become due and payable without notice, at the option of the holder of this Note. Failure to exercise this option shall not constitute a waiver of the right to exercise the same in the event of any subsequent default. In the event of default in the payment of this Note, and if the same is collected by an attorney at law, the undersigned hereby agree(s) to pay all costs of collection, including a reasonable attorney's fee.

In the event any installment or part of any installment due hereunder becomes delinquent for more than fifteen (15) days, there shall be due, at the option of the holder, in addition to other sums due hereunder, a sum equal to two percent (2%) of the amount of such installment of principal and interest so delinquent. Whenever under the law of the jurisdiction where the property is located, the amount of any such late charge is considered to be additional interest, this provision shall not be effective if the rate of interest specified in this Note, together with the amount of the late charge, would aggregate an amount in excess of the maximum rate of interest permitted and would constitute usury.

Prepayment of this Note is subject to the terms and provisions set forth in Allonge #1 attached hereto and incorporated herein by this reference.

All parties to this Note, whether principal, surety, guarantor, or endorser hereby waive presentment for payment, demand, protest, notice of protest, and notice of dishonor.

Signed and sealed as of the day and year first above written.

[SEE ATTACHED SIGNATURE PAGE]

Previous Editions Obsolete

Form HUD 94179-D (1-86)
Corporate, Reprinted 3-86

August 25, 2017

1:15 pm

CELINA PROPERTY INVESTMENT, LLC
a Tennessee limited liability company


By: 
John F. Sheehan, Jr.
President

ACKNOWLEDGMENT

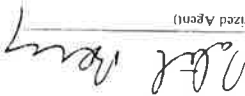
THIS IS TO CERTIFY that this is the Note described in and secured by Deed of Trust of even date herewith and in the same principal amount as herein stated, to ~~James E. Sheehan~~ resident of ~~Warren~~ County, Tennessee, Trustee(s), on real estate located in Celina, Clay County, Tennessee.

Dated this 1st day of September, 2011.

[SEAL]


Teresa Clayton
Notary Public (County of Cumberland)

My Commission Expires: 4/14/2012

STATE OF TENNESSEE	
Loan No. 086-22024	
Deed of Trust Note	
CELINA PROPERTY INVESTMENT, LLC a Tennessee limited liability company TO RED MORTGAGE CAPITAL, LLC a Delaware limited liability company	
Insured under §232 Pursuant to §223(f) of the National Housing Act and Regulations published thereunder	
In effect on June 23, 2011	
To the extent of advances approved by the Secretary of Housing and Urban Development acting by and through the Federal Housing Commissioner	
By: _____ (Authorized Agent)	Date: _____
A total sum of \$ 3,084,200.00 has been approved for insurance hereunder by the Secretary of Housing and Urban Development acting by and through the Federal Housing Commissioner	
By:  (Authorized Agent)	Date: September 8, 2011

August 25, 2017

1:15 pm

**ALLONGE #1 TO
DEED OF TRUST NOTE OF
CELINA PROPERTY INVESTMENT, LLC ("MAKER"),
TO
RED MORTGAGE CAPITAL, LLC ("HOLDER"),
IN THE ORIGINAL PRINCIPAL SUM OF \$3,084,200.00
DATED: AS OF SEPTEMBER 1, 2011**

1. This Allonge #1 to Deed of Trust Note (this "Allonge") is attached to and made a part of the Deed of Trust Note from **CELINA PROPERTY INVESTMENT, LLC**, a Tennessee limited liability company (the "Maker"), to **RED MORTGAGE CAPITAL, LLC**, a Delaware limited liability company (the "Holder"), dated as of even date herewith (the "Note").

2. Except as provided in Paragraphs 3, and 4 below, Maker may not prepay any sums due under the Deed of Trust Note (the "Note") prior to November 1, 2013. Commencing on November 1, 2013, Maker may prepay, upon thirty (30) days advance written notice to the Holder, the indebtedness evidenced by this Note, in whole or in an amount equal to one or more monthly installments of the principal next due, on the last day of any month, provided such prepayment is accompanied by the applicable prepayment premium (expressed as a percentage of the principal amount so prepaid) set forth below:

<u>Prepayment Period</u>	<u>Prepayment Premium</u>
November 1, 2013 through October 31, 2014	8%
November 1, 2014 through October 31, 2015	7%
November 1, 2015 through October 31, 2016	6%
November 1, 2016 through October 31, 2017	5%
November 1, 2017 through October 31, 2018	4%
November 1, 2018 through October 31, 2019	3%
November 1, 2019 through October 31, 2020	2%
November 1, 2020 through October 31, 2021	1%
November 1, 2021 and thereafter	None

All such prepayments, including the principal sum so prepaid, interest thereon to and including the date of such prepayment and the prepayment premium due in connection therewith, shall be in immediately available Federal Funds.

3. Notwithstanding any prepayment prohibition imposed and/or premium required by this Allonge #1 with respect to voluntary prepayments made prior to November 1, 2020 the indebtedness may be prepaid in whole or in part without the consent of the Holder and without prepayment premium on the last day of the month if the U. S. Department of Housing and Urban Development acting by and through the Federal Housing Commissioner (the "Commissioner") determines that prepayment will avoid a mortgage insurance claim and is therefore in the best interest of the Federal Government.

4. The provisions of Paragraph 2 of this Allonge #1 shall not apply and no prepayment premium shall be collected by the Holder with respect to any prepayment which is made by or on behalf of Maker from insurance proceeds as a result of damage to the property or condemnation awards which may, at the option of the Holder, be applied to reduce the indebtedness evidenced by this Note pursuant to the terms of the Deed of Trust given of even date to secure the indebtedness evidenced by the Note.

5. Notwithstanding any other provision contained in this Note, it is agreed that the execution of this Note shall impose no personal liability on the maker hereof for payment of the indebtedness evidenced hereby, and, in the event of a default, the holder hereof shall look solely to the "Collateral" (defined below) in satisfaction of the indebtedness evidenced hereby and will not seek or obtain any deficiency or personal judgment against the maker hereof except such judgment or decree as may be necessary to foreclose or bar its interest in the Collateral except as set out in the Mortgage of even date given to secure this Note. As used herein, "Collateral" shall mean and include (i) the property subject to the Mortgage, including, but not limited to, the land, improvements, equipment, personal property, and appurtenances thereto and to the rents, issues and profits thereof, as set forth in said Mortgage and (ii) the collateral described in the Security

Agreement of even date herewith given to further secure this Note between maker and holder hereof.

MAKER:
CELINA PROPERTY INVESTMENT, LLC
a Tennessee limited liability company

By: 
John J. Sheehan, Jr.
President

[END OF ALLONGE #1]

SUPPLEMENTAL #1

August 25, 2017

1:15 pm

1:15 pm

BK/PG: LS30/309-315

12001095

7 PGS : AL - MEMORANDUM OF LEASE	
BRENDA BATCH: 11575	
11/08/2012 - 02:44:55 PM	
VALUE	0.00
MORTGAGE TAX	0.00
TRANSFER TAX	0.00
RECORDING FEE	35.00
DP FEE	2.00
REGISTER'S FEE	0.00
TOTAL AMOUNT	37.00

STATE OF TENNESSEE, CLAY COUNTY
BRENDA BROWNING
 REGISTER OF DEEDS

THIS INSTRUMENT PREPARED BY

AND RETURN TO:

Richard D. Faulkner, Jr.
 Baker, Donelson, Bearman, Caldwell & Berkowitz, P.C.
 1800 Republic Center
 633 Chestnut Street
 Chattanooga Tennessee 37450

MEMORANDUM OF LEASE AND SUBLEASE

THIS MEMORANDUM OF LEASE AND SUBLEASE (this "*Memorandum*") is entered into as of November 1, 2012, by and between **CELINA PROPERTY INVESTMENT, LLC**, a Tennessee limited liability company ("*Landlord*"), **CJC LEASING, LLC**, a Tennessee limited liability company ("*Master Tenant*") and **INTEGRITY HEALTHCARE OF CELINA, LLC**, a Tennessee limited liability company ("*Subtenant*");

Witnesseth:

1. Landlord is the owner of that certain nursing facility located in **Celina, Clay County, Tennessee** and known as **Celina Health and Rehabilitation Center**, and more particularly described on Exhibit A attached hereto and made a part hereof (the "*Leased Premises*").
2. Landlord is one of the lessors under that certain HUD Facilities Master Lease Agreement of even date herewith (the "*Master Lease*") in which Master Tenant leased from Landlord and other lessors named therein certain real property, including the Leased Premises,
3. By HUD Facilities Sublease Agreement of even date herewith (the "*Sublease*"), Master Tenant subleased the Leased Premises to Subtenant.
4. The original term of the Master Lease with, respect to the Leased Premises, and the Sublease will commence on the date hereof and expire on the maturity date of the HUD Loan (defined below) or any earlier termination or payoff of the HUD Loan. The "HUD Loan" shall mean that certain mortgage loan (as amended, increased or decreased) from Red Mortgage Capital, LLC, a Delaware limited liability company, its successors or

August 25, 2017

1:15 pm

assigns, insured by the U.S. Department of Housing and Urban Development, acting by and through the Federal Housing Administration under the provisions of Section 232 of the National Housing Act, made on or about the date hereof.

5. The Master Lease and Sublease and any approved sublease and all estates, rights, options, liens and charges therein contained or created under the Master Lease and Sublease and any approved sublease are and shall be subject and subordinate to the lien of the Deed of Trust executed by Landlord for the benefit of the lender under the loan insured by the U.S. Department of Housing and Urban Development.
6. The purpose of this Memorandum is to give notice of the existence of the Master Lease and Sublease, to which reference is hereby made for a full statement of the terms and conditions thereof. In the event of any conflict between the terms hereof and the Master Lease and Sublease, the Master Lease and Sublease shall control.

[signatures on the following pages.]


August 25, 2017

1:15 pm

IN WITNESS WHEREOF, the parties have executed this Memorandum as of the date first above written.

LANDLORD:

CELINA PROPERTY INVESTMENT, LLC

By: 
John J. Sheehan, Jr., President

ACKNOWLEDGMENT

STATE OF TENNESSEE)

COUNTY OF Hamilton)

Before me, the undersigned, a Notary Public of the state and county mentioned, personally appeared John J. Sheehan, Jr., with whom I am personally acquainted (or proved to me on the basis of satisfactory evidence), and who, upon oath, acknowledged himself to be the President of **Celina Property Investment, LLC**, the within named bargainor, a Tennessee limited liability company, and that he as such President executed the foregoing instrument for the purpose therein contained, by signing the name of the limited liability company by himself as such President.

WITNESS my hand and seal, at office, this 29 day of October, 2012.


Notary Public

My commission expires: 02-18-2015



August 25, 2017

1:15 pm

IN WITNESS WHEREOF, the parties have executed this Memorandum as of the date first above written.

MASTER TENANT:

CJC LEASING, LLC

By:


John J. Sheehan, Jr., President

ACKNOWLEDGMENT

STATE OF TENNESSEE)

COUNTY OF Hamilton)

Before me, the undersigned, a Notary Public of the state and county mentioned, personally appeared John J. Sheehan, Jr., with whom I am personally acquainted (or proved to me on the basis of satisfactory evidence), and who, upon oath, acknowledged himself to be the President of **CJC LEASING, LLC**, the within named bargainor, a Tennessee limited liability company, and that he as such President executed the foregoing instrument for the purpose therein contained, by signing the name of the limited liability company by himself as such President.

WITNESS my hand and seal, at office, this 29 day of October, 2012.



Notary Public

My commission expires: 02-18-2015



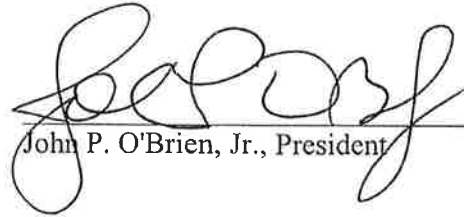
August 25, 2017

1:15 pm

SUBTENANT:

**INTEGRITY HEALTHCARE OF CELINA,
LLC**

By:


John P. O'Brien, Jr., President

ACKNOWLEDGMENT

STATE OF TENNESSEE)
)
COUNTY OF Hamilton)

Before me, the undersigned, a Notary Public of the state and county mentioned, personally appeared John P. O'Brien, Jr., with whom I am personally acquainted (or proved to me on the basis of satisfactory evidence), and who, upon oath, acknowledged himself to be the President of **Integrity Healthcare of Celina, LLC**, the within named bargainor, a Tennessee limited liability company, and that he as such President executed the foregoing instrument for the purpose therein contained, by signing the name of the limited liability company by himself as such President.

WITNESS my hand and seal, at office, this 29 day of October, 2012.




Notary Public

My commission expires: 02-18-2015

August 25, 2017

1:15 pm

**EXHIBIT A
TO
MEMORANDUM OF LEASE AND SUBLEASE**

Legal Description

August 25, 2017**1:15 pm**

EXHIBIT "A"
LEGAL DESCRIPTION

CURRENT EXISTING LOT OF RECORD:

Situated in the Third Civil District, Clay County, Tennessee; Known as being a part of the land now or formerly conveyed to Celina Property Investment LLC as recorded in Book 94, Page 610 of Clay County Records and being more particularly described as follows:

Beginning at a concrete right of way monument found at the beginning of the transition line from the southwest line of Pitcock Lane (Variable Width) to the northwest line of Tennessee State Routes 52 and 53 (Variable Width);

Thence, along said transition line, South 05°48'48" East, 97.29 feet to a broken concrete monument found on the northwest line of Tennessee State Routes 52 and 53;

Thence, along the northwest line of Tennessee State Routes 52 and 53, South 38°54'05" West, 149.49 feet to a 5/8" capped rebar set;

Thence, leaving the northwest line of Tennessee State Routes 52 and 53 and crossing through said Celina Property Investment LLC land, North 80°01'56" West, 380.34 feet to a 1/2" iron rod found at the northeast corner of land now or formerly conveyed to Sam Brown as recorded in Book 6, Page 76 of Clay County Records;

Thence, along the north line of said Brown land, North 84°19'49" West, 12.00 feet to a 1/2" iron rod found at the southeast corner of Lot 19, H.S. Williamson Subdivision No. 3 as recorded in Plat Book 1, Page 336 of Clay County Records;

Thence, along the east line of Lots 19, 18 and 17 in said subdivision, North 05°50'37" East, 81.32 feet to a 1/2" iron rod with a ID cap stamped "Wiggins" found at the northeast corner of Lot 17;

Thence, along the east line of Lots 16 through 13, North 06°34'19" East, 90.67 feet to a 1/2" iron rod found at the northeast corner of Lot 14;

Thence, along the east line of Lots 13 through 10, North 06°31'02" East, 69.70 feet to a 5/8" capped rebar set;

Thence, along the East line of Lots 10 through 5, North 06°56'51" East, 128.31 feet to a 5/8" capped rebar set at the southwest corner of land now or formerly conveyed to Oather & Josephine Williams, et ux as recorded in Book 54, Page 56 of Clay County Records;

Thence, along the south line of said Williams land and the south line of land now or formerly conveyed to Jimmie D. & Joyce E. McClain as recorded in Book 82, Page 52 of Clay County Records, South 81°16'52" East, 226.84 feet to a 1/2" iron rod found;

Thence, continuing along the south line of said McClain land, the following three (3) courses and distances:

- 1) South 79°26'57" East, 43.51 feet to a 1/2" iron rod found;
- 2) Thence, South 74°40'39" East, 11.11 feet to a 1/2" iron rod found;
- 3) Thence, South 56°02'21" East, 7.26 feet to a bent 1/2" iron rod found on the southwest line of Pitcock Lane;

Thence, along the southwest line of Pitcock Lane, South 40°10'17" East, 224.86 feet to the Point of Beginning and containing 3.5390 acres (154,158 square feet) of land, more or less.

Being a portion of the same property conveyed to Celina Property Investment, LLC by Deed of record in Book WD94, page 610, Register's Office for Clay County, Tennessee.

FIRST AMENDMENT TO LEASE AGREEMENT

THIS FIRST AMENDMENT TO LEASE AGREEMENT (this "*Amendment*") is made and entered into as of the 1st day of September, 2011 (the "*Effective Date*") by and between **CELINA PROPERTY INVESTMENT, LLC**, a Tennessee limited liability company ("*Lessor*"), and **INTEGRITY HEALTHCARE OF CELINA, LLC**, a Tennessee limited liability company ("*Lessee*").

Background:

Lessor and Lessee entered into that certain Lease Agreement effective as of May 1, 2010 (the "*Lease*") whereby Lessee leased from Lessor that certain skilled nursing facility known as Celina Health and Rehabilitation Center located on 120 Pitcock Lane, Celina, Tennessee 38551, the land for which is described on Exhibit A to the Lease.

Lessor is obtaining a loan from Red Mortgage Capital, LLC, a Delaware limited liability company, that is to be insured by the U.S. Department of Housing and Urban Development ("*HUD*") under Sections 232 and 223(f) of the National Housing Act. In connection with such loan, HUD requires the Lease to contain certain provisions, and Lessor and Lessee desire to amend the Lease so that it contains such provisions.

Agreement:

In consideration of the foregoing recitals and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties intending to be legally bound hereto agree as follows:

1. Amendments.

- (a) The last sentence of Section 1 of the Lease is hereby deleted. The following shall be inserted following the first sentence of Section 1 of the Lease:

The term of this Lease shall automatically renew for successive periods of five (5) years each unless, upon at least sixty (60) days prior written notice, Lessor or Lessee notifies the other and HUD (defined below) that it will not so renew the term of this Lease. As used in the Lease, the phrase "term of this lease" shall include the Initial Term and each such renewal, unless the context clearly requires otherwise.

- (b) The provisions of Section 2 of the Lease are hereby deleted, and the provisions set forth in Exhibit A attached hereto shall be inserted in lieu thereof.
- (c) The provisions of Section 17.02 of the Lease are hereby deleted, and the following provisions shall be inserted in lieu thereof:

17.02 In the event that Lessee violates any other term, covenant or condition of this Lease, the Lessee Regulatory Agreement, or any

August 25, 2017

1:15 pm

other HUD Loan Documents to which Lessee is a party, and if such violation continues for thirty (30) days after written notice to Lessee or, if such event is not subject to cure within thirty (30) days, then if Lessee shall fail to commence such cure within thirty (30) days and thereafter diligently pursue the remedy of such violation until completion.

- (d) The following provisions shall be inserted into the Lease following Section 17.06 thereof:

17.07 If Lessee receives a state or federal notice of termination of license or "fast track" de-certification and such notice has not been suspended, extended, withdrawn or terminated within the time period required by any governmental authority;

17.08 Upon the denial, refusal to issue, or loss of any Permits and Approvals (as defined in the Lessee Regulatory Agreement) or if any such Permits or Approvals are at material risk of termination. The term "Lessee Regulatory Agreement" is defined in Section 40 below.

- (e) The provisions of Section 36.1 of the Lease are hereby deleted in their entirety and replaced with the words "THIS SECTION RESERVED."
- (f) The provisions set forth on Exhibit B attached hereto shall be inserted into the Lease following Section 38 thereof.
- (g) The legal description set forth on Exhibit A of the Lease is hereby deleted and the legal description set forth on Exhibit C attached hereto shall be inserted in lieu thereof.
2. **Ratification.** Except as otherwise expressly amended herein, all the terms and conditions of the Lease shall remain and continue in full force and effect. Lessor and Lessee hereby ratify and confirm the Lease and its terms as if made as of the date hereof. In case of any inconsistency between the Lease and this Amendment, this Amendment shall govern and control.
3. **Successors and Assigns.** This Amendment shall be binding upon the parties and their successors and assigns. The parties shall execute and deliver such further and additional instruments, agreements and other documents as may be necessary to evidence or carry out the provisions of this Amendment.
4. **Counterparts.** This Amendment may be executed in counterparts, each of which shall be an original and collectively shall constitute one instrument.

[signatures on following page]

August 25, 2017

1:15 pm

IN WITNESS WHEREOF, the parties hereto, have duly executed this Amendment as of the day and date first above written.

LESSOR:

CELINA PROPERTY INVESTMENT, LLC

By: _____

John J. Sheehan, Jr., President

LESSEE:

INTEGRITY HEALTHCARE OF CELINA, LLC

By: _____

John P. O'Brien, Jr., President

**EXHIBIT A
TO
FIRST AMENDMENT TO LEASE AGREEMENT**

2. Rent.

2.01 Base Rent. Lessee agrees to pay Lessor as base rent for the Leased Premises the following (collectively, the "**Base Rent**"):

- (i) An amount equal to 1.05 times the aggregate monthly principal and interest payment due from Lessor to Red Mortgage Capital, LLC, a Delaware limited liability company ("**Lender**"), pursuant to the terms of that certain Deed of Trust Note payable from Lessor to Lender in connection that certain loan from Lender to Lessor insured by the Secretary of Housing and Urban Development (the "**Loan**");
- (ii) An amount equal to 1.05 times the monthly mortgage insurance premium charge due from Lessor to Lender pursuant to the terms of the Deed of Trust executed by Lessor for the benefit of Lender in connection with the Loan (the "**Deed of Trust**");
- (iii) An amount equal to 1.05 times the monthly tax payment due from Lessor to the Lender pursuant to the terms of the Deed of Trust;
- (iv) An amount equal to 1.05 times the monthly liability, property and other insurance payments due from Lessor to the Lender pursuant to the terms of the Deed of Trust;
- (v) An amount equal to 1.05 times the monthly replacement reserve fund payment due from Lessor to Lender pursuant to the terms of the Lessor Regulatory Agreement (as defined in Section 40(b) below);
- (vi) An amount sufficient to pay for any necessary maintenance of the Leased Premises, if not already paid by Lessee; and
- (vii) Any other amounts due from Lessor to Lender in connection with the Loan.

2.02 Payment of Base Rent. The Base Rent shall be due and payable by Lessee in United States currency, in advance in equal monthly installments on the first (1st) day of each calendar month of the term of the Lease, or in the event the first day of the calendar month is not a Business Day (defined below), on the first Business Day following the first day of each calendar month. Base Rent for any period which is less than a full calendar month or full year, as the case may be, during the term of the Lease, shall be prorated on a daily basis. Base Rent shall not be paid more than one (1) month in advance. Rent shall be paid to the Lessor at such place as Lessor designates from time to time by notice to Lessee. (The term "**Business Day**" means any day other than (i) a Saturday or a Sunday, and (ii) a

August 25, 2017**1:15 pm**

day on which federally insured depository institutions in **Cleveland, Tennessee** are authorized or obligated by law, regulation, governmental decree or executive order to be closed.)

- 2.03 **Additional Rent.** Lessee shall pay Lessor as additional rent hereunder, within ten (10) days after receipt of an invoice therefor from Lessor, the amount of any accounting or audit fees incurred by Lessor in connection with the Loan, the amount of any franchise, excise, income, sales or other taxes incurred by Lessor in connection with the Leased Premises and the operation of the nursing home thereon (the "**Project**"), and an amount equal to the overhead, office and general administrative expenses incurred by Lessor in connection with the Leased Premises and the operation of the Project. Such additional rent and Base Rent are collectively referred to herein as "**Rent**".
- 2.04 **Rent Adjustment.** If at the end of any calendar year (or any fiscal year if Lessee operates on a fiscal year basis), payments under this Lease have not been sufficient to cover all amounts due for principal and interest payments under the Loan, mortgage insurance premiums, taxes, insurance, replacement reserves, necessary maintenance and any other amounts due from Lessor to Lender in connection with the Loan, Lessor and Lessee shall renegotiate the amounts due under this Lease so that such amounts shall be sufficient to take care of such items, subject to the approval of Lender and the Secretary of Housing and Urban Development ("**HUD**"),
- 2.05 **Reduction in Licensed Beds.** In no event shall the Base Rent be reduced in the event the number of licensed beds at the Project is reduced.
- 2.06 **Availability of Reserves.** To the extent permitted by Lender and HUD, Lessor shall take all necessary action to make all insurance reserves, replacement reserves, property tax reserves and/or other escrows and reserves, available to Lessee to satisfy the obligations of Lessee hereunder. Lessor agrees that reserves set aside with the Lender for any designated purpose shall be held for the sole use and benefit of Lessee.

August 25, 2017

1:15 pm

**EXHIBIT B
TO
FIRST AMENDMENT TO LEASE AGREEMENT**

39. HUD Provisions Prevail. Notwithstanding any clause or provision in this Lease to the contrary and so long as HUD or a successor or assign of HUD is the insurer or holder of a loan secured by the Leased Premises, the provisions set forth below of this Section 39 and Sections 40 through 56 below shall prevail:
40. HUD-Insured Loan.
- (a) Lessee acknowledges that Lessor is obtaining the Loan from Lender, repayment of which will be secured by the Deed of Trust and a Security Agreement covering the Leased Premises and all personal property relating to the Project. The Deed of Trust will be insured by HUD under the provisions of Sections 232 and 223(f) of the National Housing Act and the regulations promulgated thereunder. The Loan has been assigned FHA Project No. 086-22024.
 - (b) In connection with the Loan, (i) Lessor and HUD will be entering into a Regulatory Agreement for Multifamily Housing Projects, as amended by the LEAN Rider attached thereto (the "**Lessor Regulatory Agreement**"), and (ii) Lessee and HUD will be entering into a Regulatory Agreement Nursing Homes, as amended by the LEAN Rider attached thereto (the "**Lessee Regulatory Agreement**"). The Loan will be evidenced by, among other things, a Deed of Trust Note, payable to Lender, executed by Lessor and endorsed by HUD (the "**Note**"). For purposes of this Lease, the Note, the Lessor Regulatory Agreement, the Lessee Regulatory Agreement, the Deed of Trust, and any and all other agreements, instruments, certificates or documents required by HUD or the Lender in connection with the Loan, together with all renewals, modifications, consolidations, replacements and extensions thereof and substitutions therefore, are collectively referred to herein as the "**HUD Loan Documents**".
41. Compliance with HUD Requirements and HUD Loan Documents.
- (a) The Lease is intended to comply with the requirements of Section 232 of the National Housing Act of 1934, all regulations promulgated pursuant thereto and any and all HUD rules, notices, requirements and handbooks now or hereafter applicable to the Leased Premises, including HUD's Multifamily Accelerated Processing (MAP) Guide provisions applicable to Section 232 (collectively, the "**HUD Requirements**"). In the event of any conflict between the terms of this Lease and the terms of the HUD Loan Documents or the HUD Requirements, the provisions of the HUD Loan Documents and the HUD Requirements shall control. Lessee agrees to comply with all applicable HUD Requirements.
 - (b) At the closing of each HUD Loan, Lessee agrees to execute the following (collectively, the "**Lessee Loan Documents**");

- (i) the Lessee Regulatory Agreement;
 - (ii) a security agreement with Lender with respect to the Project that is the subject of the HUD Loan in form and substance satisfactory to Lender;
 - (iii) a subordination agreement with Lender and Owner in form and substance satisfactory to Lender and HUD;
 - (iv) control agreement(s) perfecting Lender's security interest in Lessee's deposit accounts in form and substance satisfactory to Lender; and
 - (v) such other HUD Loan Documents that may be deemed necessary or appropriate by Lessor, Lender or HUD in connection with the Loan.
- (c) Lessee agrees to comply with all of its obligations under the Lessee Loan Documents and any other HUD Loan Documents to under which it may have obligations. The obligations of Lessee under the Lessee Loan Documents shall also be obligations of Lessee under this Lease and a default by Lessee of any of its obligations under the Lessee Loan Documents shall be deemed to be a default under this Lease.
42. Assignment of Operating Lease and Subletting of the Leased Premises. This Lease shall not be assigned or subleased by Lessee, in whole or in part (including any transfer of title or right to possession and control of the Leased Premises, or of any right to collect fees or rents), without the prior written approval of HUD. The prior written approval of HUD shall be required for (a) any change in or transfer of the management, operation, or control of the project or (b) any change in the ownership of the lessee that requires HUD approval under the Department's previous participation approval requirements. Owner/Lessor and Lessee acknowledge that any proposed assignee will be required to execute a Lessee Regulatory Agreement and a Lessee Security Agreement, each in form and substance satisfactory to HUD, as a prerequisite to any such approval. Any assignment or subletting of the Leased Premises made without such prior approval shall be null and void. This restriction on subletting does not apply to Lessee's leasing of individual units or beds to patient/residents.
43. Subordination.
- (a) The Lease and any approved sublease and all estates, rights, options, liens and charges therein contained or created under the Lease and any approved sublease are and shall be subject and subordinate to the lien of the Deed of Trust and the other HUD Loan Documents. This Section 43 shall be self-operative and no further instrument of subordination shall be required. Without limiting the foregoing, Lessee agrees to execute and deliver promptly any and all certificates, agreements and other instruments that the Lessor, Lender or HUD may reasonably request in order to confirm such subordination. Lessee agrees to, and to cause any permitted sublessee to, execute and deliver to Lender and HUD such other certificates, agreements or instruments as Lender or HUD, or their respective

August 25, 2017**1:15 pm**

successors or assigns, shall request to effect or confirm the subordination of the Lease to the HUD Loan Documents.

- (b) Agreements for provision of services to the Leased Premises or the granting of easements, rights of way or other allowances of use or placement of CATV, utilities or other items are, and shall always be, subordinate to (i) the right of Lessor, and (ii) the HUD Loan Documents and all other mortgages and security interests now or hereafter encumbering the Leased Premises and/or the property of which it forms a part. Lessee must obtain HUD written approval prior to entering into any telecommunications services agreement and/or granting of any easements.
44. Notice of Default under the Lessor Regulatory Agreement. Lessee acknowledges that pursuant to paragraph 9 of the Lessee Regulatory Agreement, Lessee will make all rental payments hereunder to HUD or the Lender (as so directed) in the event Lessee receives a written notice from HUD or the Lender (a) stating that a default exists under the Lessor Regulatory Agreement, the Note or the Deed of Trust and (b) directing Lessee to make future payments due under the Lease to HUD or the Lender.
45. Cancellation of Lease by HUD. Lessee acknowledges that pursuant to paragraph 10 of the Lessee Regulatory Agreement, the Lease may be cancelled upon thirty (30) days written notice by HUD given to Lessor and Lessee for a violation by Lessee of any provision of the Lessee Regulatory Agreement, unless the violation is corrected to the satisfaction of HUD within said thirty (30) day period; provided, however, that said thirty (30) day period shall be extended for up to ninety (90) additional days so long as:
- (a) all of the payment obligations of Lessor under the Note, the Deed of Trust and the Lessor Regulatory Agreement are being timely satisfied;
 - (b) none of the Permits and Approvals (as defined in the Lessor Regulatory Agreement) are at material risk of being terminated;
 - (c) such violation cannot reasonably be corrected during said thirty (30) day period, but can reasonably be corrected within one hundred twenty (120) days of such notice; and
 - (d) Lessee commences to correct such violation during said thirty (30) day period and thereafter diligently and continuously proceeds to correct such violation to the satisfaction of HUD.
46. Termination of Lease. The Lease shall not be terminated by Lessor or Lessee prior to its expiration date without the prior written approval of HUD.
47. Ownership of Property by Lessor. All buildings, component parts, improvements and personal (movable) property associated with the Project (including after-acquired personal property and betterments to the Leased Premises) is and shall remain the property of Lessor. Lessee agrees not to remove any such personal (movable) property

August 25, 2017**1:15 pm**

from the Leased Premises except to replace it with other similar items of equal or greater quality and value, which items shall immediately become and remain the property of Lessor.

48. Amendment of Lease. Without the prior written approval of HUD, the Lease shall not be amended so as to: (a) reduce the rent or other payments due hereunder; (b) increase the obligations of the Lessor or the rights of the Lessee; (c) decrease the rights of the Lessor or the obligations of the Lessee; or (d) alter any provision of the Lease that HUD requires to be included herein, including, without limitation, the provisions of Sections 39-56 hereof. Copies of all permitted amendments to the Lease shall be promptly furnished to HUD and the Lender.
49. Management Contract Requirements. Lessee agrees not to enter into any management contract involving the Leased Premises unless such management contract complies with applicable HUD Requirements and contains provisions that, in the event of default under the Lessor Regulatory Agreement or the Lessee Regulatory Agreement, the management agreement shall be subject to termination upon not more than thirty (30) days notice without penalty upon written request of HUD. Upon such HUD termination request, the Lessee shall immediately arrange to terminate the contract within a period of not more than thirty (30) days and shall make arrangements satisfactory to HUD for continuing proper management of the Leased Premises.
50. Licenses; Bed Authority. Lessee shall ensure that the Leased Premises meets all state licensure requirements and standards at all times. Lessor and Lessee agree not to undertake or acquiesce to any modification to any license with respect to the Leased Premises or to any "bed authority" related thereto without the prior written approval of HUD.
51. Governmental Receivables. Lessee shall be responsible for obtaining and maintaining all necessary provider agreements with Medicaid, Medicare and other governmental third party payors. Lessee agrees to furnish HUD and Lender with copies of all such provider agreements and any and all amendments thereto promptly after execution thereof.
52. Financial Statements and Reporting Requirements. Lessee agrees to furnish HUD and Lender copies of its annual financial statements with respect to the Leased Premises, prepared in compliance with the requirements of the Lessee Regulatory Agreement, within ninety (90) days after the close of Lessee's fiscal year or such longer period as may be permitted by HUD. Lessee agrees to submit to HUD and Lender copies of all other financial reports as specified in the Lessee Regulatory Agreement.
53. Inspections. Lessee agrees that upon reasonable request, the Lender, HUD and their respective designees and representatives may at all reasonable times, upon reasonable notice, subject to the rights of patients, residents and tenants, examine and inspect the Leased Premises. Lessee will, on the request of the Lender and/or HUD, promptly make available for inspection by the Lender and/or HUD, and their designees and representatives, copies of all of the Lessee's correspondence, books, records and other documentation relating to the Leased Premises, excepting communications between the

Exhibit B – Page 4

August 25, 2017**1:15 pm**

Lessee and its attorneys. The Lessee agrees to maintain accounting records for the Leased Premises in accordance with its customary practice and the Lessee Regulatory Agreement, separate from any general accounting records which the Lessee may maintain in connection with the Lessee's other activities. The Lessee agrees that the Lender and/or HUD, and their designees and representatives, shall at any reasonable time, have access to and the right to examine all accounting records of the Lessee which relate directly or indirectly to the Leased Premises. The obligations of Lessee under this section shall be limited to the extent necessary in order for Lessee to comply with applicable laws regarding the confidentiality of resident/patient medical records and information.

54. Insurance; Casualty; Condemnation. Lessee agrees to procure and maintain, or cause to be procured and maintained, the insurance coverage required pursuant to the HUD Loan Documents and/or applicable HUD Requirements, including HUD Notices H 04-01 and H 04-15. Insurance proceeds and the proceeds of any condemnation award or other compensation paid by reason of a conveyance in lieu of the exercise of such power, with respect to the Leased Premises or any portion thereof shall be applied in accordance with the terms of the HUD Loan Documents and applicable HUD Requirements. The decision to repair, reconstruct, restore or replace the Leased Premises following a casualty or condemnation shall be subject to the terms of the HUD Loan Documents and applicable HUD Requirements.
55. Accounts Receivable (AR) Financing. The Lessee shall not pledge its accounts receivable or receipts to an accounts receivable lender for any loan without the prior written approval of the Lender and HUD. In the event that the Lender and HUD grant such approval; (i) the holder(s) of such lien shall enter into an Intercreditor and a Rider to Intercreditor Agreement with the AR Lender and Lender on such terms and conditions as may be required by HUD; and (ii) Lessee shall agree to comply with the requirements imposed by the Lender and HUD in connection therewith. Until such approved loan is paid in full, the written approval of HUD is required for any proposed modifications, extensions, renewals or amendments to a material term of the AR loan or the security agreement, prior to the effective date of such amendments.
56. Limitation on Indemnification Obligations. Notwithstanding any other terms contained in the Lease, in the event of an assignment of the Lease to HUD or FHA, neither HUD nor FHA shall have any indemnification obligations under the Lease. In addition, any payment obligations of HUD or FHA pursuant to the Lease shall be limited to actual amounts received by HUD or FHA, and otherwise not prohibited by applicable law or regulation, including without limitation, the Anti Deficiency Act, 31 U.S.C. § 1341 et seq.

August 25, 2017**1:15 pm**

EXHIBIT "C"
LEGAL DESCRIPTION

CURRENT EXISTING LOT OF RECORD:

Situated in the Third Civil District, Clay County, Tennessee: Known as being a part of the land now or formerly conveyed to Celina Property Investment LLC as recorded in Book 94, Page 610 of Clay County Records and being more particularly described as follows:

Beginning at a concrete right of way monument found at the beginning of the transition line from the southwest line of Pitcock Lane (Variable Width) to the northwest line of Tennessee State Routes 52 and 53 (Variable Width);

Thence, along said transition line, South 05°46'48" East, 97.29 feet to a broken concrete monument found on the northwest line of Tennessee State Routes 52 and 53;

Thence, along the northwest line of Tennessee State Routes 52 and 53, South 38°54'05" West, 149.49 feet to a 5/8" capped rebar set;

Thence, leaving the northwest line of Tennessee State Routes 52 and 53 and crossing through said Celina Property Investment LLC land, North 80°01'56" West, 380.34 feet to a 1/2" iron rod found at the northeast corner of land now or formerly conveyed to Sam Brown as recorded in Book 6, Page 76 of Clay County Records;

Thence, along the north line of said Brown land, North 84°19'49" West, 12.00 feet to a 1/2" iron rod found at the southeast corner of Lot 19, H.S. Williamson Subdivision No. 3 as recorded in Plat Book 1, Page 336 of Clay County Records;

Thence, along the east line of Lots 19, 18 and 17 in said subdivision, North 05°50'31" East, 81.32 feet to a 1/2" iron rod with a ID cap stamped "Wiggins" found at the northeast corner of Lot 17;

Thence, along the east line of Lots 16 through 13, North 06°34'19" East, 90.67 feet to an 1/2" iron rod found at the northeast corner of Lot 14;

Thence, along the east line of Lots 13 through 10, North 06°31'02" East, 69.70 feet to a 5/8" capped rebar set;

Thence, along the East line of Lots 10 through 5, North 06°56'51" East, 128.31 feet to a 5/8" capped rebar set at the southwest corner of land now or formerly conveyed to Oather & Josephine Williams, et ux as recorded in Book 54, Page 56 of Clay County Records;

Thence, along the south line of said Williams land and the south line of land now or formerly conveyed to Jimmie D. & Joyce E. McClain as recorded in Book 82, Page 52 of Clay County Records, South 81°16'52" East, 226.84 feet to a 1/2" iron rod found;

Thence, continuing along the south line of said McClain land, the following three (3) courses and distances:

- 1) South 79°26'57" East, 43.51 feet to a 1/2" iron rod found;
- 2) Thence, South 74°40'39" East, 11.11 feet to a 1/2" iron rod found;
- 3) Thence, South 58°02'21" East, 7.28 feet to a bent 1/2" iron rod found on the southwest line of Pitcock Lane;

Thence, along the southwest line of Pitcock Lane, South 40°10'17" East, 224.86 feet to the Point of Beginning and containing 3.5390 acres (154,158 square feet) of land, more or less.

August 25, 2017

1:15 pm

LEASE AGREEMENT

THIS LEASE AGREEMENT made and entered into to be effective as of the 1st day of May, 2010, by and between **CELINA PROPERTY INVESTMENT, LLC**, a Tennessee limited liability company (hereinafter called "Lessor") and **INTEGRITY HEALTHCARE OF CELINA, LLC**, a Tennessee limited liability company (hereinafter called "Lessee").

WITNESSETH

WHEREAS, Lessor is the owner of the land located at Highway 53, Celina, Tennessee 38551 and all improvements thereon which property is more particularly described on **Exhibit "A"** attached hereto (the "Leased Premises") and on which is currently located a nursing home (the "Facility"); and

WHEREAS, Lessee desires to lease the Leased Premises and Lessor has agreed to lease the Leased Premises to Lessee subject to the terms and conditions hereof;

NOW, THEREFORE, for and in consideration of the payments hereinafter stipulated to be made by the Lessee and the covenants and agreements herein contained to be kept and performed by the Lessee, the Lessor does, by these presents, demise, lease, and let unto the Lessee, for the term and upon the conditions hereinafter stated, the Leased Premises together with all improvements thereon and easements and rights appurtenant thereto subject to the following terms and conditions:

1. **Term.** This Lease shall remain in full force and effect for a term of eight (8) years commencing on May 1, 2010 and ending at midnight on the last day of the month following such date, unless sooner terminated, subject to the terms and conditions herein contained. The term "lease year" shall mean the one-year period commencing on the date the Lease Premises are contributed to the capital of Lessor from the present members of Lessee.

2. **Rent.**

2.01 The Lessee will pay, without offset for any reason, to the Lessor, at the office of the Lessor or at such other address as Lessor may determine by notice to Lessee, in advance, on the first (1st) day of each calendar month during the first year of the term hereof, without notice or demand, initial fixed net monthly rent ("Base Rent") of Thirty Thousand Twenty-three and 26/100 Dollars (\$30,023.26). In year two and subsequent years, monthly net rent shall increase Two Percent (2%) over the immediately preceding year. Base Rent for any partial months shall be prorated. The rent for the initial period shall be payable on the date the Lease term begins.

2.02 Lessee will pay, without offset for any reason, as additional rent ("Additional Rent") (Base Rent and Additional Rent are hereinafter collectively called "Rent"), all other amounts, liabilities, and obligations, which Lessee herein assumes or agrees to pay. In the event of any failure on the part of the Lessee to pay any such amount, liabilities or obligations, Lessor

August 25, 2017

1:15 pm

shall have all rights, powers, and remedies provided for herein in the case of non-payment of Rent.

3. Warranties of Lessor. Lessor represents and warrants to Lessee:

3.01 Lessor has good, insurable, and marketable fee simple record title to the Leased Premises, and has the lawful right, power, and authority to execute this Lease in accordance with the terms and conditions hereof.

3.02 The execution and delivery of this Lease will not result in any breach of the terms, conditions of, or constitute a default under, any instrument or obligation to which Lessor is now or may become a party, or by which it or the Leased Premises may be bound or affected, or violate any order, writ, injunction or decree or any court in any litigation to which Lessor is a party.

3.03 To the best of Lessor's knowledge and belief, there are no suits, actions, or claims, pending or threatened, against or affecting the Lessor, the Leased Premises, or any other property which is the subject of this Lease.

3.04 To the best of Lessor's knowledge and belief, all public utilities required for the operation of the Facility are present at the Leased Premises.

3.05 The execution and delivery of the Lease by Lessor and the performance of the transaction contemplated hereby are not in conflict with any agreements to which the Lessor is a party.

3.06 Lessor will not transfer, assign or encumber the Leased Premises without prior notice to Lessee and any such transfer of title or interest in the Leased Premises by Lessor shall be subject to this Lease.

4. Warranties of Lessee. Lessee represents and warrants to Lessor:

4.01 Lessee is aware of the local, state, and federal requirements and regulations pertaining to the operation of the Facility in the State of Tennessee, and Lessee shall operate the Leased Premises, including the Facility, in accordance with said regulations and requirements and shall maintain all necessary permits, licenses and approval for the operation of the Leases Premises and the Facility.

4.02 Lessee has obtained all necessary approvals from state, federal, and local governmental officials to operate the Facility in compliance with applicable state, federal and local governmental requirements.

4.03 Lessee agrees to continuously operate the Facility on the Leased Premises at all times during the term of this Lease. In the event Lessee fails to perform its obligations under this paragraph and such failure shall continue after ten (10) days written notice to Lessee, Lessor shall be entitled to (a) injunctive relief requiring Lessee to occupy the Leased Premises and

August 25, 2017**1:15 pm**

operate as hereinabove provided, and/or (b) at Lessor's election, to immediate possession of the Leased Premises for the purposes of commencing reletting efforts, without prejudice in each instance to Lessor's right to damages and other remedies as set forth herein.

4.04 Lessee shall furnish to Lessor annually within one hundred twenty (120) days after the end of each calendar year, financial statements, reviewed and, if required by the lender, insurer or guarantor of any loan holding an interest in the leased premises, audited by an independent certified public accountant, including balance sheets, income statement and statement of cash flows, and within thirty (30) days after the end of each month, monthly operating statements, profit and loss statements, and such other financial information as may be reasonably requested by Lessor, regarding Lessee's financial condition and operating results of the Leased Premises certified by Lessee's chief financial officer.

5. Taxes and Other Governmental Charges.

5.01 Lessee shall promptly pay, when due, all taxes of whatever nature (including but not limited to) ad valorem taxes and assessments, general special assessments, taxes on real estate rental receipts, taxes on Lessee's gross receipts, personal property taxes, business and occupational taxes, water charges, sewer charges and other utility costs imposed upon or incurred in connection with the operation of the Leased Premises. Lessee also shall pay to Lessor, as Additional Rent, the total amount of all real estate taxes imposed, levied, charged or assessed against the Leased Premises. The term "real estate taxes" shall mean all taxes and assessments, special or otherwise, levied or assessed against the Leased Properties (land, buildings and improvements), and other taxes arising out of the use and/or occupancy of the Leased Premises imposed by federal, state or local governmental authorities or any other taxing authority having jurisdiction over the Leased Premises.

Lessor shall estimate the real estate taxes referred to in this Section 5.01, and Lessee shall pay one-twelfth (1/12th) thereof monthly, together with the payment of installments of Rent. In the event the aggregate of Lessee's installments during the year shall be less than the amount of the real estate taxes due, such insufficiency shall be paid to Lessor within thirty (30) days after demand therefore. Upon request by Lessee, Lessor shall provide Lessee with a copy of all receipted tax bills. Lessor shall establish an escrow account or other procedure with the mortgagee of the Leased Premises for holding the amounts paid by Lessee for the real estate taxes until such real estate taxes are timely paid. All escrowed funds paid by Lessee pursuant hereto shall be placed in a non-interest bearing account.

5.02 Lessee shall promptly furnish to Lessor proof of the payment of any tax, assessment, and other governmental or similar charge, other than real estate taxes for which installments have been paid by Lessee pursuant to Section 5.01.

5.03 Nothing contained in this Lease shall require Lessee to pay any franchise, corporate, estate, inheritance, succession, capital levy, or transfer tax of Lessor or any income, profits, or revenue tax or any other tax, assessment, charge, or levy upon the Rent payable by Lessee under this Lease.

August 25, 2017**1:15 pm**

5.04 Lessee shall not be required to pay, discharge, or remove any tax, assessment or other charge (other than real estate taxes) so long as Lessee shall contest the amount or validity of such tax, assessment or other charge by appropriate proceeding which shall operate to prevent or stay the collection of the tax, assessment, or other charge so contested or if Lessee shall have provided Lessor with a bond or other security reasonably satisfactory to Lessor in an amount equal to the amount so contested and unpaid, together with all interest and penalties in connection therewith and all charges that may be assessed against or become a charge on the Leased Premises or any part thereof in such proceedings. Lessee shall indemnify and hold Lessor harmless from any and all losses or damages resulting from or relating to its contest or actions regarding taxes or other charges. Notwithstanding the foregoing, Lessee shall not contest any taxes levied or assessed against the Leased Premises without the prior written consent of any lender (including the insurer or guarantor of any loan) holding an interest in the Leased Premises.

6. Termination Adjustments.

6.01 Upon expiration or earlier termination of this Lease, real estate taxes, assessments, and other charges which shall be levied, assessed, or become due upon the Leased Premises shall be prorated by Lessor and Lessee through the date of termination of the Lease.

6.02 Upon termination of this Lease, Lessee shall deliver, broom clean, in good order, condition and repair, except for ordinary wear and tear, to Lessor, at no cost to Lessor, the Leased Premises. Notwithstanding the above, Lessee may remove from the Premises any items of non-fixtured personalty owned by Lessee, located on the Premises and not purchased by Lessor pursuant to Paragraph 6.05 hereof, provided Lessee shall pay the cost of repairing all damage to the Leased Premises occasioned by such removal.

6.03 Lessee shall pay all trade accounts payable and wages accruing prior to or at the termination of this Lease and shall retain all accounts receivable accruing prior to the termination of this Lease. If Lessor receives payment of Lessee's accounts receivable, it shall transmit the funds to Lessee within thirty (30) days of receipt of such payment by Lessor. Any net amount of payables not satisfied at termination shall be settled in full by Lessee within thirty (30) days after receipt of notice from Lessor specifying the amount of payables due.

6.04 At the expiration or earlier termination of this Lease, the Leased Premises, including the fixtures installed therein and all air conditioning, heating, plumbing, sprinkler and electrical systems, shall be in the same condition as on the date of commencement of this Lease, except for reasonable wear and tear and casualty or condemnation loss.

6.05 At the expiration or earlier termination of this Lease, all non-fixtured personalty and inventories of food, medicine, supplies, towels, and linens shall be sufficient to comply with state requirements and sufficient for normal operation of the Facility, and all such inventories shall become the property of the Lessor, at the sole election of Lessor, upon payment to Lessee of Lessee's cost basis thereof.

6.06 Upon termination of this Lease, all service contracts, provider or third-party payor agreements, franchises, approvals, licenses, permits, and other agreements used or owned

August 25, 2017**1:15 pm**

by Lessee in connection with the operation of the Lease Premises shall be assigned to Lessor to the extent permitted by the contracts and as requested by Lessor.

6.07 Upon termination of this Lease, all persons employed by Lessee at the Leased Premises (the "Employees") may at the discretion of Lessor be employed by Lessor. Lessee shall be responsible for payroll and all vacation, sick leave and other accrued benefits of the Employees through 12:00 p.m. on the date of expiration or earlier termination and for all prior pay periods.

6.08 All utilities for the Lease Premises for the calendar month in which the expiration or earlier termination of this Lease occurs, operating expenses and prepayments shall be prorated between the Lessor and the Lessee as of 12:00 p.m. Eastern Time on the expiration or earlier termination date.

7. Non-Liability of Lessor and Indemnification.

7.01 Lessor shall not be liable to Lessee or to Lessee's employees, agents, licensees, or visitors, or to any other person whomsoever for (i) any injury or damage to person or property due to the Leased Premises or any part thereof becoming out of repair during the term of this Lease or by defect in or failure of pipes or wiring, or by the backing up of drains or by the bursting or leaking of pipes, faucets, and plumbing fixtures or by gas, water, steam, electricity, or oil leaking, escaping, or flowing into the Leased Premises, or as a result any other defects, latent or otherwise, except for repairs or defects which are the obligation of Lessor pursuant to the provisions of this Lease or applicable law, or (ii) any loss or damage that may be occasioned by or through the acts or omissions of any other person whatsoever, excepting only the misconduct or negligence of Lessor or its duly authorized employees and agents, or (iii) for any loss or damage to any property or person occasioned by theft, fire, act of God, public enemy, injunction, riot, insurrections, war, court order, requisition or order of governmental authority, or any other matter beyond the control of Lessor.

7.02 Lessee agrees that it will indemnify and hold Lessor harmless from, (i) all fines, suits, loss, costs, expenses (including reasonable attorneys' fees actually incurred), liabilities, claims, demands, actions, and judgments of every kind and character by reason of any breach, violation, or non-performance of any term, provision, covenant, agreement, or condition on the part of Lessee hereunder and (ii) all claims, demands, actions, damages, loss, costs, liabilities, expenses (including reasonable attorneys' fees actually incurred) and judgments suffered by, recovered from, or asserted against Lessor on account of injury which may be incident to, arise out of, or be caused, either proximity or remotely, wholly or in part, by an act, omission, negligence, or misconduct on the part of Lessee or any of its agents, servants, employees, contractors, patrons, guests, licensees, or invitees or of any other person entering upon the Leased Premises under or with the express or implied invitation or permission of Lessee or when any such injury or damage is the result, proximate or remote, of the violation by Lessee or any of its agents, servants, employees, contractors, patrons, guests, licensees, or invitees of any law, ordinance, or governmental order of any kind or when any such injury or damage may in any way arise from or out of the occupancy or use by Lessee, its agents, servants, employees, contractors, patrons, guests, licensees, or invitees of the Leased Premises. All sums

August 25, 2017**1:15 pm**

owed to Lessor by Lessee pursuant to this Section 7.02, including attorneys' fees and court costs, shall be Additional Rent to Lessor due ten (10) days after the date of demand bearing interest at the rate of twelve percent (12%) per annum from ten (10) days after the date of demand, or at the highest rate allowed by applicable law, whichever is less.

7.03 Lessor agrees that it will indemnify and hold Lessee harmless from (i) all fines, suits, loss, costs, expenses (including reasonable attorneys' fees actually incurred) liability, claims, demands, actions, and judgments of every kind and character by reason of any breach, violation, or non-performance of any term, provision, covenant, agreement, or condition on the part of Lessor hereunder, and (ii) all claims, demands, actions, damages, loss, costs, liabilities, expenses (including reasonable attorneys' fees actually incurred) and judgments suffered by, recovered from, or asserted against Lessor on account of injury which may be incident to, arise out of, or be caused, either proximity or remotely, wholly or in part, by an act, omission, negligence, or misconduct on the part of Lessor or any of its agents, servants, employees, contractors, patrons, guests, licensees, or invitees or of any other person entering upon the Leased Premises under or with the express or implied invitation or permission of Lessor or when any such injury or damage is the result, proximate or remote, of the violation by Lessor or any of its agents, servants, employees, contractors, patrons, guests, licensees, or invitees of any law, ordinance, or governmental order of any kind or when any such injury or damage may in any way arise from or out of the occupancy or use by Lessor, its agents, servants, employees, contractors, patrons, guests, licensees, or invitees of the Leased Premises. Lessee shall have no right of offset against Base Rent or Additional Rent for sums due to Lessee under this Section 7.03.

8. Insurance.

8.01 All insurance provided for in this Agreement shall be effected under valid and enforceable policies issued by insurers of recognized responsibility licensed in the state where the Leased Premises is located. In addition to the insurance provided for herein, Lessee shall provide at its expense, on behalf of Lessor, any other insurance required to be provided by the holder, guarantor or insurer of any mortgage or other security instrument encumbering the Leased Premises. Any such policies shall contain a "Mutual Waiver of Subrogation" clause whereby the Lessor and Lessee waive all rights of subrogation against each other. Lessee agrees to escrow monthly with the holder of any mortgage encumbering the Leased Premises an amount equal to one-twelfth of the annual premium due on the required insurance.

8.02 Lessee shall, at its expense, keep the Leased Premises insured against loss or damage by fire, with extended coverage endorsement covering loss or damage by lightning, windstorm, explosion, aircraft, smoke damage, vehicle damage, sprinkler leakage, vandalism, malicious mischief, flood and such other risks are normally covered under such endorsement in amounts that are not less than the full insurable value of the improvements located on the Leased Property including the Equipment and personal property used in the operation of the Leased Premises with a deductible of not more than \$25,000.00. The term "full insurable value," as used in this Lease, means the actual replacement value of the Leased Premises as such may be altered or improved from time to time. Said policies of insurance shall provide for business interruption insurance and be in an amount sufficient to cover any loss of Rent for a duration of

August 25, 2017**1:15 pm**

not less than six (6) months, unless approved by Lessor.

8.03 Lessee shall, at its expense, maintain general liability insurance against claims for bodily injury, death, or property damage occurring on, in, or about the Leased Premises, and the adjoining sidewalks and passageways, such insurance to afford protection of not less than One Hundred Thousand Dollars (\$100,000.00) with respect to bodily injury or death to any one person and not less than Three Hundred Thousand Dollars (\$300,000.00) with respect to any one accident with not more than a Fifty Thousand Dollar (\$50,000.00) deductible. Policies for such insurance shall be for the mutual benefit of Lessor and Lessee, without a provision for co-insurance.

8.04 Lessee shall, at its expense, maintain insurance in the minimum amount of \$100,000.00 against liability imposed by law upon Lessee for damages on account of professional services rendered or which should have been rendered by Lessee or any person for whose acts Lessee is legally liable on account of injury, sickness, or disease, including death at any time resulting therefrom, and including damages allowed for loss of service.

8.05 All policies of insurance required may be in the form of blanket policies of insurance and shall name the holder of any mortgage encumbering the Leased Premises as loss payee and shall contain the standard mortgagee's clause in favor of Lessor's mortgagee, now or hereafter existing. Complete certified copies of all blanket insurance policies shall be delivered to Lessor and all mortgagees of record. Certificates from the insurers evidencing the existence of all policies of insurance required by this Lease and showing the interest of the Lessor and mortgagee shall be filed with the Lessor and shall provide that the subject policy may not be canceled except upon not less than thirty (30) days written notice to loss payees prior to the expiration dates of the policies. Originals of the renewal policies, or certificates thereof, from the insurers evidencing the existence thereof, shall be deposited with the Lessor.

9. Use and Maintenance of the Leased Premises.

9.01 Lessee, at its expense, will maintain the Leased Premises, including the Facility, to the satisfaction of Lessor and shall cause to be made all repairs and replacements necessary to keep the Leased Premises in the same condition as when the Leased Premises are delivered to Lessee, normal wear and tear and loss by casualty and condemnation expressly excepted, and in a condition which is in substantial compliance with all requirements for a nursing home in the State of Tennessee under applicable local, state, and federal laws. Lessee, at its expense, shall be responsible for all operating and maintenance costs of the Lease Premises, including but not limited to, any preventative maintenance programs required for the maintenance of the Lease Premises in compliance with this paragraph or required by Lessor, and all such cost and expense associated with utilities, landscaping, trash collection, janitorial and other services. Nonetheless, Lessee shall not be required to make the Leased Premises better than at the time possession of the Leased Premises is delivered to Lessee.

9.02 Lessee shall comply with all licensing and contractual requirements and regulations promulgated by any local, state, or federal regulating body and ensure that the Leased Premises continue to qualify to be licensed for a nursing home throughout the Lease term and

August 25, 2017**1:15 pm**

any extension thereof and at the termination of the Lease.

9.03 Lessee, at its own expense, will undertake all improvements, alterations, changes, repairs and replacements, including replacement of furniture, furnishings, appliances, and equipment, as may be necessary under the National Life Safety Code, or as a licensing requirement of the State of Tennessee or any other licensing, governing, or regulating body, or as may be reasonably necessary in the day-to-day operation of the Facility; provided, however, that at the expiration or earlier termination of this Lease, the Lessor may purchase any non-fixture furniture, furnishings, appliances and equipment at Lessee's depreciated or unamortized cost therefore. Lessee shall not permit any mechanics, supplier or other liens to be placed on the Leased Premises in connection with its repair, alteration or improvement of the Leased Premises.

9.04 Lessee shall at its own expense pay all sums required to maintain or replace all necessary equipment in order to maintain the Leased Premises as a nursing home in compliance with the requirements of this Section 9. Lessee shall spend an amount that is reasonable and necessary each year of this Lease on all equipment and preventive maintenance to keep the Leased Premises in compliance with this Section 9 and the requirements of Section 15.

9.05 Lessee shall use and occupy the Leased Premises solely for a nursing home or other complimentary health care services approved from time to time by Lessor, and shall use the Leased Premises only for such permitted uses and do no act that would in any way violate any certificate of occupancy or zoning ordinance or regulation affecting the Leased Premises, or threaten any license as a nursing home or to make void or voidable any insurance then in force with the respect thereto.

9.06 Lessor shall not be required to make any repairs or improvements of any kind to the Leased Premises, except as is required by applicable law.

10. Performance of Obligations.

10.01 If Lessee at any time shall fail to make any payment or perform any act on its part to be made or performed under this Lease, then Lessor may (but shall not be obligated to), upon ten (10) days' prior written notice to Lessee and without waiving or releasing Lessee from any obligations or default of Lessee hereunder, make any such payment or perform any such act for the account and at the expense of Lessee, and may enter upon the Leased Premises for the purpose and take all such action thereon as may be reasonably necessary therefore. No such entry shall be deemed an eviction of Lessee. All sums so paid by Lessor and all necessary and incidental costs and expenses (including, without limitation, reasonable attorneys' fees and expenses) actually incurred in connection with the performance of any such act by Lessor, together with interest at the rate of twelve percent (12%) per annum, or at the highest rate permitted by law if less than twelve percent (12%) per annum, from the date of the making of such payment or the incurring of such costs and expenses by Lessor, shall be deemed Additional Rent hereunder and shall be payable by Lessee to Lessor on demand, and Lessee covenants to pay any such sum or sums with interest as aforesaid.

10.02 If Lessor at any time shall fail to make any payment or perform any act on

August 25, 2017**1:15 pm**

its part to be made or performed under this Lease, then Lessee may (but shall not be obligated to), upon ten (10) days' prior written notice to Lessor and without waiving or releasing Lessor from any obligations or default of Lessor hereunder, make any such payment or perform any such act for the account and at the expense of Lessor. All sums so paid by Lessee and all necessary and incidental costs and expenses (including reasonable attorneys' fees and expenses) actually incurred in connection with the performance of any such act by Lessee shall be deemed a demand obligation from Lessor to Lessee on demand.

11. Alteration, Improvement and Modification by Lessee. Lessee shall have the right of altering, improving, replacing, modifying, or expanding the Leased Premises from time to time as it may determine is desirable for the continuing and proper use and maintenance of the Leased Premises only with the prior written consent of Lessor. The cost of all such alterations, improvements, modifications, expansions, or purchases, whether undertaken as an ongoing licensing or regulatory requirement or otherwise shall be borne by Lessee, and Lessee agrees to defend, indemnify and hold harmless Lessor from and against all liens, claims, suits, liabilities, damages, costs or expenses arising out of any such alteration, improvement or addition undertaken by Lessee, its employees, agents or contractors. All work done in connection with such alterations, improvements, modifications, or expansions shall be done in a good and workmanlike manner and in compliance with all existing codes and regulations pertaining to the Leased Premises, or to nursing homes. To the extent permitted by the mortgagee of the Leased Premises, Lessee may, in its discretion, place chattel mortgages against the improvements, appliances, furnishings, furniture, or equipment for the purpose of purchasing such items and Lessor agrees to take such action as requested by Lessee consistent with Lessor's rights under this Lease.

12. Assignment. If Lessee is not in default hereunder, the Lessee may assign or sublet the Leased Premises or any part or parcel thereof, or otherwise transfer all or part of its rights and interests hereto only with the prior written consent of the Lessor and Mortgagee.

13. Management Agreements. Lessee shall not enter into any management or other similar agreement unless Lessor and Mortgagee thereof have previously approved the terms in writing, and such approval shall be in Lessor's and Mortgagee's sole discretion. All management agreements must be in writing and must state that all fees payable thereunder by Lessee are subordinated to all sums due under this Lease.

14. Collection of Rent from Others. If this Lease is assigned or transferred, or if the Leased Premises or any part thereof is sublet or occupied by anybody other than Lessee, the Lessor may, after default by Lessee, collect Rent from the assignee, transferee, subtenant, or similar occupant, and apply the net amount collected to the Rent and other amounts reserved hereunder.

15. Right of Entry; Annual Inspection. Lessor, its representatives, mortgagee, prospective lessees, or purchasers may enter the Leased Premises at any reasonable time during normal business hours after notice to Lessee (which may be telephonic) and at any time in case of emergencies, for the purpose of inspecting and for the purpose of performing any work which the Lessor or mortgagee may elect to undertake, made necessary by reason of Lessee's default

August 25, 2017**1:15 pm**

under this Lease. Lessee shall permit Lessor to engage in a thorough annual inspection of the Leased Premises on or about each anniversary date of the commencement of this Lease. Lessor shall deliver to Lessee a written report identifying any deficiencies in the condition of the Leased Premises or other recommendations, and Lessee shall promptly take all action necessary to bring the condition of the Leased Premises within the requirements of this Lease.

16. Condemnation. If, at any time during the term of this Lease, title to all any material portion of the Leased Premises shall be taken in condemnation proceedings or by any right of eminent domain, so that the remainder of the Leased Premises cannot be operated in substantially the same manner as immediately prior to the taking, then, and in that event, Lessee shall have the option to terminate this Lease. If the taking shall occur on a date other than the first day of the month, the Rent due shall be prorated to the date of taking. The Lessor shall be entitled to receive and retain all awards as shall represent compensation for the value of real and personal properties and Lessor's leasehold interest. Regardless of whether Lessee elects to terminate this Lease, Lessee shall have the right to make a claim against the condemning authority for the value of Lessee's property or for Lessee's moving expense provided the award of such claim or claims is not in diminution of the award made to Lessor.

17. Events of Default by Lessee. The following events are hereby defined as "Events of Default" by Lessee under the terms of this Lease:

17.01 Failure in the payment of Rent, Additional Rent, or other amount payable when due to Lessor hereunder if such failure continues for a period of fifteen (15) days after written notice from Lessor specifying such default;

17.02 Failure by Lessee in the due performance or compliance with any of the terms hereof, other than those referred to in Section 17.01, if such failure continues for thirty (30) days after written notice from Lessor specifying such default;

17.03 If Lessee shall abandon the Leased Premises or fails to continuously operate the Facility, and the same shall remain uncared for or unoccupied;

17.04 If the Lessee shall make a general assignment for the benefit of creditors, or shall file a petition for bankruptcy, or shall be adjudicated bankrupt or insolvent, or shall file a petition seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under any present or future statute, law, or regulation, or shall seek or consent to or acquiesce in the appointment of any trustee, receiver, or liquidation of it or any material part of its properties; or

17.05 If within sixty (60) days after the commencement of any proceeding against the Lessee seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under any present or future statute, law, or regulation, such proceeding shall not have been dismissed, or if within sixty (60) days after the appointment without the consent or acquiescence of such individual, of any trustee, receiver, or liquidator of such individual or of any material part of his properties, such appointment shall not have been vacated or stayed.

17.06 The interest of Lessee in the Leased Premises or any part thereof shall be levied upon or attached in any proceeding and the same shall not be vacated or discharged within the later of ninety (90) days after commencement thereof, or thirty (30) days after receipt by Lessee of notice from Lessor.

18. Remedies.

(a) If an Event of Default occurs, Lessor, at any time thereafter and while such Event of Default shall continue, may give a written termination notice to Lessee.

(b) If an Event of Default occurs or if this Lease shall terminate, Lessor or Lessor's agents and employees may immediately or at any time thereafter reenter the Leased Premises, or any part thereof, either by summary dispossession proceedings or by any suitable action or proceeding at law, or otherwise, without being liable to prosecution or damages therefor, and may repossess the same, and may remove any person therefrom, to the end that Lessor may have, hold and enjoy the Leased Premises. Lessee shall thereupon pay to Lessor the Rent and Additional Rent payable up to the time of such termination of this Lease, or of such recovery of possession of the Leased Premises by Lessor as the case may be, and also shall pay to Lessor damages as provided in subsection (d) herein. Moreover, Lessor shall be entitled to retain all monies, if any, paid by Lessee to Lessor whether as advance rent, security or otherwise, including, but not limited to any security deposit paid pursuant to this Lease, but such money shall be credited by Lessor against any Rent or Additional Rent due from Lessee at the time of such termination or reentry or, at Lessor's option, against any damages payable by Lessee by subsection (d) or pursuant by law.

(c) In the event of a breach or threatened breach by Lessee of any of its obligations under this Lease, Lessor shall also have the right of injunction. The special remedies to which Lessor may resort hereunder are cumulative and are not intended to be exclusive of any other remedies to which Lessor may lawfully be entitled to any time and Lessor may evoke any remedy allowed at law or in equity as if specific remedies were not provided for herein.

(d) If this Lease is terminated under the provisions of this Section, or if Lessor shall reenter the Leased Premises under the provisions of this Section, or in the event of the termination of this Lease, or reentry, by or under any summary dispossession or other proceeding or action or any provision of law by reason of default hereunder on the part of the Lessee, Lessee shall pay to Lessor as damages at the election of Lessor, either:

(i) a sum which at the time of such termination of this Lease or at the time of any such reentry by Lessor, as the case may be, represents the then value of the excess, if any, of (A) the aggregate amount of the Rent and the Additional Rent which would have been payable by Lessor for the period commencing with such earlier termination of this Lease or the date of any such reentry, as the case may be, and ending with the date contemplated as the expiration date hereof if this Lease had not so terminated or if Lessor had not so reentered the Leased Premises, over (B) the aggregate market rental value of the Leased Premises for the same period, or

August 25, 2017**1:15 pm**

(ii) sums equal to the Rent and the Additional Rent which would have been payable by Lessor had this Lease not so terminated, or had Lessor not so reentered the Leased Premises, payable upon the due date therefore specified herein following such termination or such reentry and until the date contemplated as the expiration date herein if this Lease had not so terminated or if Lessor had not so reentered the Leased Premises, provided, however, that if Lessor shall relet the Leased Premises during said period, Lessor shall credit Lessee with the net rents received by Lessor from such reletting, such net rents to be determined by first deducting from the gross rents as and when received by Lessor from such reletting from the expenses incurred or paid by Lessor in terminating this Lease or in reentering the Leased Premises and in securing possession thereof, as well as the expenses of reletting, including, without limitation, altering and preparing the Leased Premises for new tenants, brokers commissions, legal fees, and all other expenses properly chargeable against the Leased Premises and the rental therefrom, it being understood that any such reletting may be for a period shorter or longer than the remaining term, but in no event shall Lessee be entitled to receive any excess of such net rents over the sums payable by Lessee to Lessor hereunder nor shall Lessee be entitled in any suit for the collection of damages pursuant to this subdivision to a credit in respect of any net rents from or reletting, except to the extent that such net rents are actually received by Lessor.

(e) Suit or suits for the recovery of such damages, or any installments thereof, may be brought by Lessor from time to time at its election, and nothing contained herein shall be deemed to required Lessor to postpone suit until the date when the term of this Lease would have expired if it had not been so terminated under the provisions of this Section, or under any provision of law, or had Lessor not reentered the Leased Premises. Nothing contained herein shall be construed to limit or preclude recovery by Lessor against Lessee of any sums or damages to which, in addition to the damages particularly provided above, Lessor may lawfully be entitled by reason of any default hereunder on the part of the Lessee. Nothing herein contained shall be construed to limit or prejudice the right of Lessor to prove for and obtain as damages by reason of the termination of this Lease or reentry on the Leased Premises for the default of the Lessee under this Lease an amount equal to the maximum allowed by any statute or rule of law in effect at the time when, and governing the proceedings in which, such damages are to be proved whether or not such amount be greater, equal to or less than any of the sums referred to in subsection (d).

19. Default by Lessor. If the Lessor fails to comply with any obligation of Lessor imposed by this Lease or by operation of law, or any representation, warranty, or covenant of Lessor contained herein or made by the Lessor in any statement or certificate furnished by the Lessor in connection with the execution and delivery of this Lease, proves untrue in any material respect as of the date of the issuance of making thereof, then Lessor shall be deemed to be in default of this Lease, and Lessee shall have the right to terminate this Lease upon thirty (30) days' prior written notice to Lessor. Lessee's right to terminate this Lease shall be in addition to any and the exercise of and all other rights or remedies available to Lessee, at law or in equity, and the exercise of one such right or remedy shall not preclude Lessee from exercising any other right or remedy.

August 25, 2017**1:15 pm**

20. Applicable Law. This Lease, and all interests in real estate, all of the personal covenants between the contracting parties hereto and all of the rights in person are binding upon and inuring to the benefit of the respective parties, shall be governed by the laws of the State of Tennessee.

21. Broker's Commission. It is understood and agreed that neither party has incurred any real estate broker fee or commission arising out of this Lease and each agree to and hold the other harmless from and against all such other fees and commissions incurred as a result of its own conduct.

22. Surrender. At the expiration of the Lease term or any extension thereof, or upon any earlier termination of this Lease, or upon any re-entry by Lessor upon the Leased Premises, Lessee shall quit and surrender the Leased Premises together with all appurtenances, additions, fixtures, furnishings, equipment, or appliances in as good condition, reasonable and ordinary wear and tear excepted, free and clear of all liens and encumbrances other than those permitted by this Lease or which have been created or consented to by the Lessor. Lessee shall do and commit no act or be remiss in the taking of any act that would jeopardize licensure of the Leased Premises and shall comply with all requests for an orderly transfer of the license and possession at the time of any such surrender.

23. Non-Waiver. No failure by Lessor or Lessee to insist upon the strict performance of any term hereof or to exercise any right, power, or remedy consequent upon a breach thereof, and no acceptance of Base Rent by Lessor, in full or in part, during the continuance of such breach, shall constitute a waiver of such breach or of such term. No waiver of any breach shall affect or alter this Lease or constitute a waiver of a then existing or subsequent breach. Each right, power, and remedy of Lessor and Lessee provided for in this Lease shall be cumulative and concurrent and shall be in addition to every other right, power, or remedy provided for in this Lease or now or hereafter existing at law or in equity by statute or otherwise, in any jurisdiction where such rights, powers, and remedies are sought to be enforced, and the exercise or beginning of the exercise by Lessor or Lessee of any one or more of the rights, powers, and remedies provided for in this Lease or now or hereafter existing at law or in equity or by statute or otherwise shall not preclude the simultaneous or later exercise by Lessor or Lessee of any or all such other rights, powers, or remedies.

24. Severability. In the event that any clause or provision of this Lease shall be held to be invalid by any court of competent jurisdiction, the invalidity of such clause or provision shall not affect any of the remaining provisions hereof.

25. Notices. All notices and demands, certificates, requests, consents, approvals, and other similar instruments under this Lease shall be in writing and shall be deemed to have been properly given and received only if sent by United States certified or registered mail, return receipt requested, postage prepaid (a) if to Lessee, addressed to Lessee, at the Leased Premises or at such other address as Lessee from time to time may have designated by written notice to Lessor and any assignee, (b) if to Lessor, addressed to Lessor, 7201 Shallowford Road, Suite 200, Chattanooga, Tennessee, 37421. Attention: John P. O'Brien, Jr., or at any such address as

August 25, 2017**1:15 pm**

Lessor may have designated, from time to time, after written notice to Lessee and any assignee with a copy to any mortgagees of which Lessor has notified Lessee of and given the address for. Such notice shall be deemed to have been given on the day so mailed.

26. Successors and Assigns. The terms and provisions of this Lease shall be binding upon and inure to the benefit of the parties hereto and their respective representatives, heirs, estates, successors, and assigns.

27. Multiple Counterparts. This Lease may be executed in multiple counterparts each of which shall be an original but all of which together shall constitute but one and the same instrument.

28. Relation of Parties. The receipt by Lessor of rents hereunder shall not be deemed to create a partnership or joint venture between Lessor and Lessee, nor shall Lessor be liable for any debts incurred by Lessee in the conduct of its business; it being understood that the relationship between such persons is, and at all times shall remain, that of Lessor and Lessee. Lessor shall have no management or operational responsibility whatsoever. Nothing in this Lease shall be interpreted to convey any estate or ownership rights of the Lessor to the Lessee.

29. Fire or Other Casualty. Subject to any agreement between Lessor and its mortgagee, if the Leased Premises or any part thereof shall be damaged by fire or other casualty or any cause whatsoever, Lessor shall, upon receipt of insurance proceeds sufficient to pay the full cost of reconstruction or repair, forthwith remove any resulting debris and repair and/or rebuild damaged or destroyed structures and other improvements, including any improvements or betterments made by Lessor or Lessee, in accordance with the plan pursuant to which the Leased Premises were constructed. Until such time as the Leased Premises are repaired, rebuilt, and put in good and tenantable order, the Rent, or a fair and just portion of the Rent according to the nature and extent of the damage sustained, shall except for insurance proceeds covering the same be abated. If Lessee shall have paid any portion of the Rent in advance, Lessor shall immediately repay to Lessee an amount equal to that portion of the Rent paid in advance or the appropriate portion of such Rent in advance, whichever is applicable. Lessor and Lessee hereby agree if Lessor, for any reason whatsoever, fails to commence such restoration work within one hundred eighty (180) days from the date of such damage or destruction occurs and receipt by Lessor of insurance proceeds or fails thereafter to proceed diligently to complete such repair work and/or rebuilding, Lessee, in addition to such other rights and remedies as may be available to Lessee at law or in equity, shall have the right and option to terminate this Lease by giving Lessor written notice of this election prior to the completion of such repairs or rebuilding, provided Lessor shall not then be actively undertaking such restoration work, and upon such notice being given the term of this Lease shall automatically terminate. Notwithstanding any other provision contained herein, Lessor and Lessee understand and agree that if the Leased Premises should be damaged or destroyed by fire or other cause to such an extent the cost of restoration would exceed 50% of the amount it would have cost to replace the Leased Premises in its entirety at the time such damage or destruction took place and if there is three years or less remaining on the initial term or any extension of this Lease, either Lessor or Lessee shall have the right and option to terminate the Lease by giving the other party notice of such election within thirty (30) days after such damage or destruction shall have taken place and insurance

August 25, 2017**1:15 pm**

proceeds as a result of such casualty shall be payable to Lessor. If such notice is given, then the term of this Lease shall terminate as of the date Lessee vacates the Leased Premises, which date shall be not later than thirty (30) days after the giving of such notice.

30. Estoppel Certificate and Other Information. Lessor and Lessee will, at any time and from time to time, upon not less than fifteen (15) days' prior request by the other or the holder of any mortgage on the Leased Premises, execute, acknowledge, and deliver to the requesting party or such holder a statement in writing executed by said party certifying that this Lease is unmodified and in full effect (or if there have been modifications, that this Lease is in full effect as modified, and setting forth such modifications) and the dates to which the Rent has been paid and either stating that to the knowledge of the signer of such certificate no default exists hereunder or specifying each such default of which the signer may have knowledge.

31. Holding Over. Any holding over by Lessee after expiration or termination of this Lease, in whatever manner its termination shall be brought about, shall not operate as a renewal of this Lease, but during the period of such holding over, Lessee shall be a Lessee on a month-to-month basis, and Lessee agrees to pay to Lessor as the Base Rent for the Leased Premises at the normal Base Rent amount, on a monthly basis, for each and every month the Lessee may hold possession of the Lease Premises after the termination of this Lease.

32. Short Form Lease. Lessee agrees not to record this Lease without the express written consent of Lessor, which consent shall not be unreasonably withheld, and wither Lessor or Lessee may request the other party to further agree to execute, acknowledge and deliver at any time after the date of this Lease, a "short form lease" or memorandum of lease suitable for recording in the public records.

33. Purchase of Additional Personalty. Nothing in this Lease shall be construed to prohibit Lessee from purchasing or leasing additional personally for use in the Leased Premises and giving a security interest in such personally to the vendor or lessor thereof.

34. No Broker. Lessee warrants and represents that no broker was involved on its behalf in negotiating or consummating this Lease, and agrees to indemnify and hold Lessor harmless from and against any and all claims for brokerage commissions arising out of any communications or negotiations had by Lessee with any broker regarding the Leased Premises and/or the consummation of this Lease.

35. Integration and Waiver. This Lease shall constitute the only agreement between Lessor and Lessee in regard to the Leased Premises unless an additional document or agreement recites that it supplements and/or amends this Lease and is signed by both parties hereto.

36. Financing.

36.01 If any lending institution and/or any bonding authority with which Lessor has negotiated or may negotiate interim or long-term financing for the Leased Premises or part thereof does not approve the credit rating of Lessee, or if such lending institution or bonding authority shall require change(s) in this Lease as a condition of its approval of this Lease for such

August 25, 2017**1:15 pm**

financing; and if within fifteen (15) days after notice from Lessor Lessee fails or refuses to execute with Lessor the amendment or amendments to this Lease accomplishing the change(s) which are stated by Lessor to be needed in connection with approval of this Lease for purposes of such financing, Lessor shall have the right to cancel this Lease at any time upon not less than ninety (90) days' written notice. In the event of cancellation by Lessor hereunder, this Lease shall be and become null and void and both parties shall automatically be released as of the date of Lessor's cancellation of the Lease as specified in the notice from any and all liability or obligation under this Lease, except that Lessor shall return the security, if any, made by Lessee. Notwithstanding anything contained herein to the contrary. Lessee shall not be required to agree, and Lessor shall not have any right of cancellation for Lessee's refusal to agree, to any modification of the provisions of this Lease relating to the amount of Rent reserved, the size and/or location of the Leased Premises, the duration and/or commencement date of the Term, or reducing the improvements to be made by Lessor to the Leased Premises prior to tender of possession.

36.02 Lessor and Lessee agree that this Lease is and shall be subject to and subordinate to all times all mortgages (in any amounts and all advances thereon which may now or hereafter affect such leases or the real property of which the Leased Premises form a part), and all renewals, modifications, consolidations, participations, replacements and extensions thereof. The term "mortgage(s)" as used herein shall be deemed to include trust indenture(s), deed(s) of trust, and security deed(s). Lessee agrees to attorn to any underlying mortgagee who shall succeed to Lessor's interest in this Lease upon request of such mortgagee. Upon request of Lessor, Lessee shall promptly execute and acknowledge, without charge thereof, an agreement acknowledging such subordination and agreeing to attorn to any underlying ground lessor or mortgagee who shall succeed to Lessor's interest in this Lease.

If any mortgagee requires that this Lease be prior rather than subordinate to any such mortgage, Lessee shall, promptly upon request therefore by Lessor or such mortgagee, and without charge therefore, execute a document effecting and/or acknowledging such priority, which document shall contain, at the option of such mortgagee, an attornment obligation to the mortgagee as Lessor in the event of foreclosure or to any party acquiring title through such mortgage in such event.

Upon request of any mortgagee of record, Lessee shall give prompt written notice in the manner provided in Section 25 of any default of Lessor hereunder, and Lessee shall allow such mortgagee a reasonable length of time (in any event, not less than sixty (60) days from the date of such notice) in which to cure any such default. Any such notice shall be sent to the Mortgage Loan Department of any such mortgagee at its home office address.

37. Time is the Essence of this Agreement. Time is of the essence of this Agreement.

38. Attorney's Fees and Expenses. In the event that either Lessor or Lessee shall be required to engage legal counsel for the enforcement of any of the terms of this Lease, whether such employment shall require institution of suit or other legal services required to secure compliance on the part of any party to this Lease, the defaulting party shall be responsible for and shall pay promptly pay to the other party the reasonable cost of said attorneys' fees, and any

August 25, 2017

1:15 pm

other expenses, including without limitation, court costs incurred by such party as a result of the default.

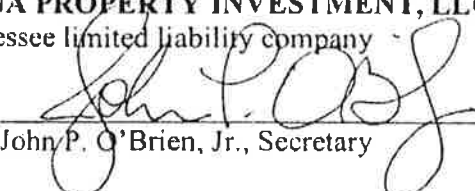
IN WITNESS WHEREOF, the parties have executed this Lease Agreement to be effective as of the date first above written.

LESSOR:

CELINA PROPERTY INVESTMENT, LLC

a Tennessee limited liability company

By:

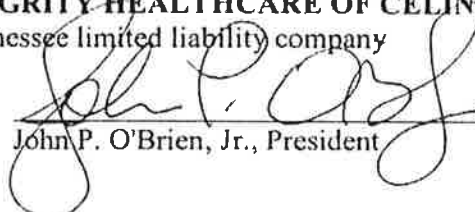

John P. O'Brien, Jr., Secretary

LESSEE:

INTEGRITY HEALTHCARE OF CELINA, LLC

a Tennessee limited liability company

By:


John P. O'Brien, Jr., President

August 25, 2017**1:15 pm**

**EXHIBIT A
LEGAL DESCRIPTION**

Lying and being situated in the Third Civil District, Clay County, Tennessee, and being that land conveyed to Clay County Manor, Inc. by deed of Clay County Nursing Home, Inc. as appears in Warranty Deed Book 46, page 113, Register's Office of Clay County, Tennessee; and Clay County Manor, Inc. was merged into Celina Manor, Inc. by Articles of Merger as appears in Miscellaneous Book 7, page 226, Register's Office of Clay County, Tennessee, being more particularly described as follows:

Beginning on a found concrete right-of-way monument in the western margin of State Routes 52 and 53 and in the southern margin of Pitcock Street; Thence with the western right-of-way of State Route 52 and 53, six courses as follows: South 05 degrees 44 minutes 10 seconds East a distance of 98.24 feet to a found R/W monument; South 38 degrees 50 minutes 55 seconds West a distance of 214.79 feet to a found R/W monument; South 29 degrees 32 minutes 56 seconds West a distance of 100.02 feet to a found R/W monument; South 43 degrees 52 minutes 59 seconds West a distance of 274.27 feet to a found R/W monument; South 46 degrees 53 minutes 44 seconds West a distance of 199.61 feet to a found R/W monument; South 46 degrees 53 minutes 41 seconds West a distance of 20.66 feet to a set iron pin, said iron pin being in the east line of the Third Williamson Addition Subdivision, a plat of which is recorded in Deed Book 1, Page 336; Thence with the east line of Lots 43 through 24 of said subdivision, North 06 degrees 57 minutes 39 seconds East a distance of 455.27 feet to a set iron pin in the south line of a block of land in the name of SAM BROWN, Deed Book 6, Page 76; Thence with the south line of Brown, North 89 degrees 30 minutes 42 seconds East a distance of 12.00 feet to a set iron pin; Thence with the east line of Brown, passing just east of two fruit trees, North 00 degrees 19 minutes 22 seconds West a distance of 100.00 feet to a set iron pin; Thence with the north line of Brown, North 84 degrees 19 minutes 49 seconds West a distance of 12.00 feet to a set iron pin at the southeast corner of Lot 19 of the Third Addition of the Williamson Subdivision; Thence with the east line of Lots 19, 18, and 17 of said subdivision; North 05 degrees 41 minutes 11 seconds East a distance of 76.05 feet to a found iron pipe; Thence with the east line of Lots 16 through 10 of said subdivision, North 06 degrees 30 minutes 18 seconds East a distance of 165.29 feet to a found iron pipe; Thence with the east line of Lots 10 through 5 of said subdivision, North 06 degrees 56 minutes 51 seconds East a distance of 128.31 feet to a set iron pin beside a fence corner; Thence with the south line of OATHER WILLIAMS, Deed Book 54, Page 56, and Thurman Pitcock, Deed Book 51, Page 361, South 81 degrees 20 minutes 42 seconds East along an old fence a distance of 226.89 feet to a set iron pin; Thence with the south line of Pitcock, three courses: South 79 degrees 58 minutes 15 seconds East a distance of 43.42 feet to a set iron pin; South 73 degrees 05 minutes 10 seconds East a distance of 10.98 feet to a set iron pin; South 53 degrees 57 minutes 53 seconds East a distance of 7.35 feet to a set iron pin in the southern margin of Pitcock Street (apparent 30' R/W); Thence with the southern margin of Pitcock Street, South 40 degrees 20 minutes 13 seconds East a distance of 224.35 feet to the beginning, containing 6.166 acres.

Being the same property conveyed to Nationwide Health Properties, Inc., a Maryland corporation, by Warranty Deed from Celina Manor, Inc., a Tennessee corporation, of record in Book WD61, Page 584, Register's Office for Clay County, Tennessee, dated March 15, 1995.

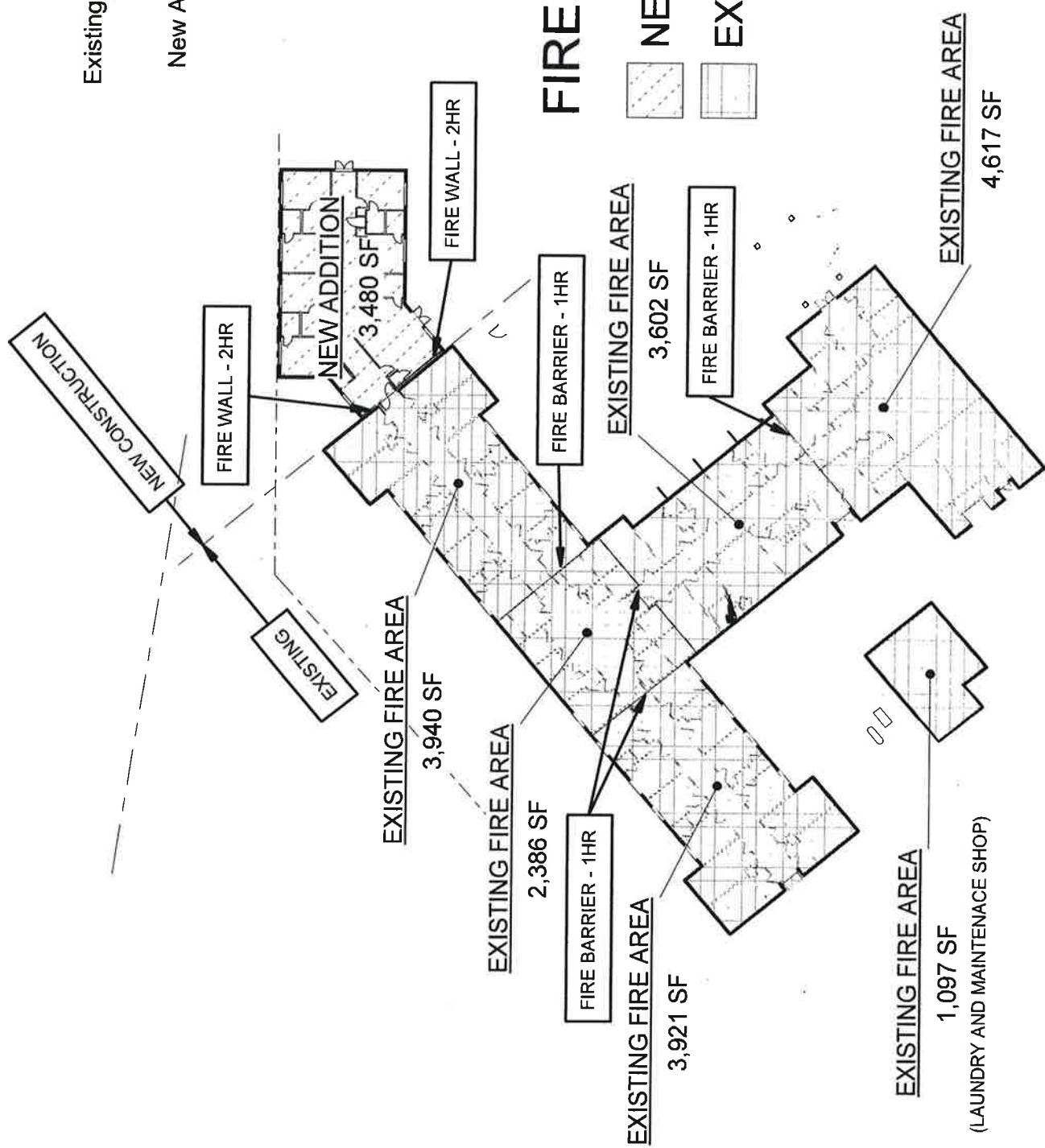
Existing Building square footage:
18,466 S.F.

New Addition square footage:
3,480 S.F.

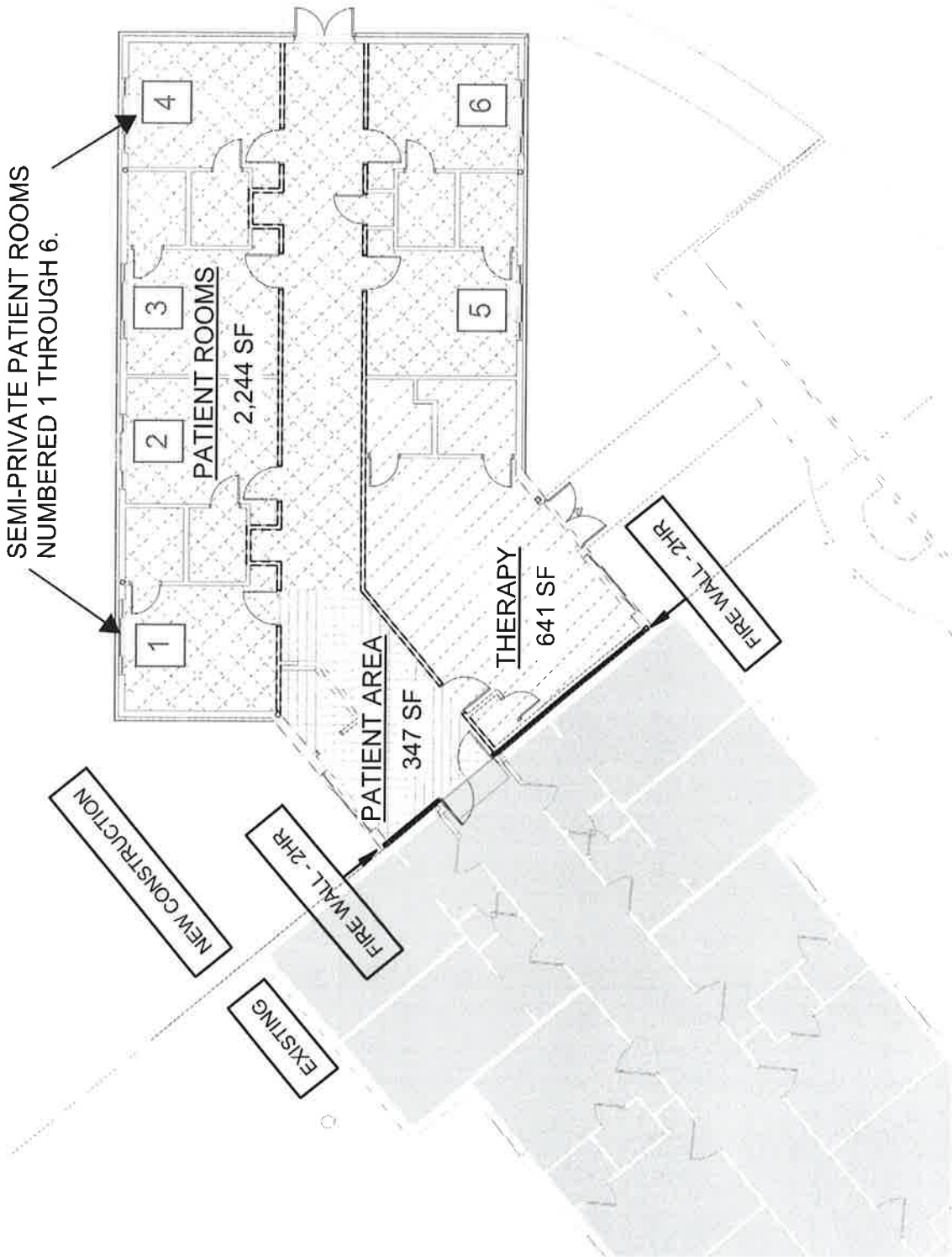
FIRE AREA PLAN

NEW ADDITION

EXISTING FIRE AREA



FIRE AREA PLAN



NEW STAFF / SUPPORT AREA:	347 s.f.
NEW THERAPY AREA:	641 s.f.
NEW PATIENT AREA:	2,244 s.f.
OTHER GROSS SQUARE FEET:	241 s.f.
TOTAL:	3,473 s.f.

12. Square Footage and Cost Per Square Footage Chart

August 25, 2017

Proposed Final Square Footage
1:15 pm

Unit/Department	Existing Location	Existing SF	Temporary Location	Proposed Final Location	Renovated	New	Total
New Staff Support						347	347
New Therapy						641	641
New Patient Rooms						2,244	2,505
Exist. Therapy					261		
Unit/Department GSF Sub-Total					261	3,232	3,493
Other GSF Total						241	241
Total GSF					261	3,473	3,734
*Total Cost							\$720,000
**Cost Per Square Foot							\$192.83
<p>Cost per Square Foot Is Within Which Range (For quartile ranges, please refer to the Applicant's Toolbox on www.in.gov/hsda)</p>					<input type="checkbox"/> Below 1 st Quartile <input type="checkbox"/> Between 1 st and 2 nd Quartile <input type="checkbox"/> Between 2 nd and 3 rd Quartile <input type="checkbox"/> Above 3 rd Quartile	<input type="checkbox"/> Below 1 st Quartile <input type="checkbox"/> Between 1 st and 2 nd Quartile <input type="checkbox"/> Between 2 nd and 3 rd Quartile <input type="checkbox"/> Above 3 rd Quartile	<input type="checkbox"/> Below 1 st Quartile <input type="checkbox"/> Between 1 st and 2 nd Quartile <input type="checkbox"/> Between 2 nd and 3 rd Quartile <input checked="" type="checkbox"/> Above 3 rd Quartile

* The Total Construction Cost should equal the Construction Cost reported on line A5 of the Project Cost Chart.

** Cost per Square Foot is the construction cost divided by the square feet. Please do not include contingency costs.

**NURSING HOME BED NEED BASED UPON THE OLD RATIO STANDARDS
METHODOLOGY USED FOR MEDICARE BEDS NEED CALCULATIONS,
BY COUNTY AND STATE TOTAL, 2018 (Based on 2015 UTCBER Projection Series*)**

COUNTY	TOTAL POP	BED NEED	COUNTY	TOTAL POP	BED NEED	COUNTY	TOTAL POP	BED NEED
STATE	6,962,031	51,598	HAMBLEN	66,195	589	MORGAN	23,848	178
ANDERSON	78,387	802	HAMILTON	362,471	3,048	OBION	31,625	297
BEDFORD	51,672	352	HANCOCK	6,981	64	OVERTON OVERTON	23,885	214
BENTON	16,711	179	HARDEMAN	27,284	212	PERRY	8,362	85
BLED SOE	13,394	115	HARDIN	26,680	279	PICKETT	5,237	68
BLOUNT	136,505	1,242	HAWKINS	59,311	547	POLK	17,627	161
BRADLEY	107,651	850	HAYWOOD	18,274	143	PUTNAM	81,972	670
CAMPBELL	41,654	382	HENDERSON	29,836	238	RHEA	34,582	302
CANNON	14,658	134	HENRY	33,771	360	ROANE	55,990	596
CARROLL	28,298	282	HICKMAN	26,876	207	ROBERTSON	76,231	492
CARTER	58,274	566	HOUSTON	9,014	87	RUTHERFORD	337,990	1,533
CHEATHAM	41,269	255	HUMPHREYS	19,090	181	SCOTT	23,058	175
CHESTER	18,633	158	JACKSON JACKSON	12,251	118	SEQUATCHIE	16,399	139
CLAIBORNE	34,263	297	JEFFERSON	57,073	502	SEVIER	104,829	879
CLAY CLAY	7,876	88	JOHNSON	18,952	178	SHELBY	970,212	5,488
COCKE	37,335	340	KNOX	477,780	3,465	SMITH	20,534	151
COFFEE	56,909	493	LAKE	8,441	60	STEWART	14,210	127
CROCKETT	14,982	141	LAUDERDALE	28,930	187	SULLIVAN	159,393	1,696
CUMBERLAN	63,778	927	LAWRENCE	43,518	396	SUMNER	184,532	1,293
DAVIDSON	698,061	3,799	LEWIS	12,912	127	TIPTON	69,239	409
DECATUR	12,029	144	LINCOLN	35,104	319	TROUSDALE	8,564	61
DEKALB	19,936	172	LOUDON	56,118	686	UNICOI	19,003	216
DICKSON	54,959	400	MCMINN	55,100	526	UNION	20,124	150
DYER	39,607	315	MCNAIRY	27,486	255	VAN BUREN	5,668	52
FAYETTE	46,608	381	MACON MACON	23,838	184	WARREN	41,167	349
FENTRESS	19,082	174	MADISON	104,799	803	WASHINGTON	137,400	1,174
FRANKLIN	42,395	414	MARION	28,627	253	WAYNE	17,551	156
GIBSON	51,934	478	MARSHALL	33,885	246	WEAKLEY	36,300	318
GILES	29,787	277	MAURY	90,666	681	WHITE	28,037	281
GRAINGER	24,244	210	MEIGS	12,345	109	WILLIAMSON	225,526	1,323
GREENE	73,620	708	MONROE	49,048	447	WILSON	133,865	909
GRUNDY	13,379	129	MONTGOMERY	211,602	884			
			MOORE	6,923	71			

PREPARED BY: TENNESSEE DEPARTMENT OF HEALTH, DIVISION OF POLICY, PLANNING AND ASSESSMENT

Dec 2015

*Projections Data Source: The University of Tennessee Center for Business and Economic Research Population Projection Data Files, Reassembled by the Tennessee Department of Health, Division of Policy, Planning and Assessment.
Note: These data will not match the University of Tennessee Data exactly due to rounding.

SUPPLEMENTAL #1

Supplemental B.A
August 29, 2017

1:15 pm

D. 1). a) Describe the demographics of the population to be served by the proposal

August 25, 2017

1:15 pm

Clay County is a rural county covering approximately 233 square miles, and is north of Cookeville, Tennessee. Celina is the county seat, and there are no additional incorporated cities in the county. The county has a population of less than 8,000 people, and over one-fourth of them are over the age of 65. Please see Attachment B.Need.D.1.a for more quick facts about Clay County.

b) Using current and projected population data from the Department of Health, the most recent enrollee data from the Bureau of TennCare, and demographic information from the US Census Bureau, complete the following table and include data for each county in your proposed service area.

Projected Population Data: <http://www.tn.gov/health/article/statistics-population>

TennCare Enrollment Data: <http://www.tn.gov/tenncare/topic/enrollment-data>

Census Bureau Fact Finder: <http://factfinder.census.gov/faces/nav/jsf/pages/index.xhtml>

Demographic Variable/Geographic Area	Department of Health/Health Statistics							Bureau of the Census				TennCare	
	Total Population-Current Year	Total Population-Projected Year	Total Population-% Change	*Target Population-Current Year	*Target Population-Project Year	*Target Population-% Change	Target Population Projected Year as % of Total	Median Age	Median Household Income	Person Below Poverty Level	Person Below Poverty Level as % of Total	TennCare Enrollees	TennCare Enrollees as % of Total
Clay County	7884	7879	-0.1	1991	2082	+4.6	26.4	45.1	\$28804	1801	22.8	2112	26.8
County B, etc.													
Service Area Total	7884	7879	-0.1	1991	2082	+4.6	26.4	45.1	\$28804	1801	22.8	2112	26.8
State of TN Total	6887572	7035572	+2.1	1133025	1219696	7.6	17.3	38.4	\$45219	1117594	15.9	1412063	20.5

** Target Population is population that project will primarily serve. For example, nursing home, home health agency, hospice agency projects typically primarily serve the Age 65+ population; projects for child and adolescent psychiatric services will serve the Population Ages 0-19. Projected Year is defined in select service-specific criteria and standards. If Projected Year is not defined, default should be four years from current year, e.g., if Current Year is 2016, then default Projected Year is 2020.*

2) Describe the special needs of the service area population, including health disparities, the accessibility to consumers, particularly the elderly, women, racial and ethnic minorities, and low-income groups. Document how the business plans of the facility will take into consideration the special needs of the service area population.

Clay County, TN is a medically underserved area, according to Health Resources and Services Administration. The addition of nurses and nursing services in the county will add more health care services in the county. Further, while the Applicant will serve all people who present and qualify for nursing services,

SUPPLEMENTAL #1**NET INCOME (LOSS)**\$95,460\$136,508\$122,068**August 25, 2017****1:15 pm****G. Other Deductions**

1. Annual Principal Debt Repayment

\$

\$

\$

2. Annual Capital Expenditure

Total Other Deductions

\$

\$

\$

NET BALANCE\$95,460\$136,508\$122,068**DEPRECIATION**

\$

\$

\$

FREE CASH FLOW (Net Balance + Depreciation)\$95,460\$136,508\$122,068
☒ **Total Facility**
☐ Project Only
HISTORICAL DATA CHART-OTHER EXPENSES**OTHER EXPENSES CATEGORIES****2014****2015****2016**

1. Major Purchases

\$ 10,265\$ 24,485\$ 21,254

2. Contracted Therapy

318,296315,574293,541

3. Purchased Services/Professional Fees

253,584196,656236,314

4. Utilities

156,386166,006155,703

5. Health and Related Insurance

112,913123,101136,325

6. Worker's Comp

55,06338,21734,299

7. Property and GL Insurance

68,72048,68149,103

8. General Administrative

251,645339,878358,365**Total Other Expenses****\$1,226,873****\$1,252,599****\$1,284,904**

August 25, 2017

- E. 1) Please identify the project's average gross charge, average deduction from operating revenue, and average net charge using information from the Projected Data Chart for Year 1 and Year 2 of the proposed project. Please complete the following table.

	Previous Year (2015)	Current Year (2016)	Year One	Year Two	% Change (Current Year to Year 2)
Gross Charge (<i>Gross Operating Revenue/Utilization Data</i>)	260.14	243.92	452.10	469.84	+92.7%
Deduction from Revenue (<i>Total Deductions/Utilization Data</i>)	48.25	34.89	134.13	145.83	+318.0%
Average Net Charge (<i>Net Operating Revenue/Utilization Data</i>)	211.89	209.03	317.97	324.01	+55.0%

- 2) Provide the proposed charges for the project and discuss any adjustment to current charges that will result from the implementation of the proposal. Additionally, describe the anticipated revenue from the project and the impact on existing patient charges.

The proposed charges for the total project are reflected in the table above: Year 1, \$291.76 in gross operating revenue per patient day, \$59.16 in contractual adjustments per patient day; and \$232.60 in net operating revenue per patient day. The implementation of this project, coupled with normal increases in costs, will increase the average net charge per patient day by approximately 13.7% in two years. This small increase is to be expected over a two year period of time.

- 3) Compare the proposed charges to those of similar facilities in the service area/adjoining service areas, or to proposed charges of projects recently approved by the Health Services and Development Agency. If applicable, compare the proposed charges of the project to the current Medicare allowable fee schedule by common procedure terminology (CPT) code(s).

Our service area is Clay County, and we are the only nursing home provider in the County. However, adjoining area facilities' information is presented in the chart at the top of the following page.

- G. Discuss the project's participation in state and federal revenue programs including a description of the extent to which Medicare, TennCare/Medicaid and medically indigent patients will be served by the project. Additionally, report the estimated gross operating revenue dollar amount and percentage of projected gross operating revenue anticipated by payor classification for the first year of the project by completing the table below.

Historical

Payor Source	Projected Gross Operating Revenue	As a % of Total
Medicare/Medicare Managed Care	927,194.38	19.0%
TennCare/Medicaid	3,655,221.09	74.4%
Commercial/Other Managed Care		
Self-Pay	325,847.67	6.6%
Charity Care		
Other (Specify)	1602.45	<.01%
Total	4,909,865.59	100.0%

Facility Projected Yr1

Payor Source	Projected Gross Operating Revenue	As a % of Total
Medicare/Medicare Managed Care	1,860,666	30.5%
TennCare/Medicaid	3,945,209	64.6%
Commercial/Other Managed Care		
Self-Pay	290,740	4.8%
Charity Care		
Other (Specify)	18,313	.1%
Total	6,114,928	100.0%

Project Only Yr 1

Payor Source	Projected Gross Operating Revenue	As a % of Total
Medicare/Medicare Managed Care	837,649	80.0%
TennCare/Medicaid	207,762	19.9%
Commercial/Other Managed Care		
Self-Pay		
Charity Care		
Other (Specify)	2,295	.1%
Total	1,047,706	100.0%

Board for Licensing Health Care Facilities



State of Tennessee

License No. 0000000036

No. Beds 0066

DEPARTMENT OF HEALTH

This is to certify, that a license is hereby granted by the State Department of Health to

INTEGRITY HEALTHCARE OF CELINALLC to conduct

and maintain a Nursing Home CELINA HEALTH AND REHABILITATION CENTER

Located at 120 PITCOCK LANE, CELINA

County of CLAY, Tennessee.

This license shall expire JULY 28, 2018 and is subject to the provisions of Chapter 11, Tennessee Code Annotated. This license shall not be assignable or transferable, and shall be subject to revocation at any time by the State Department of Health, for failure to comply with the laws of the State of Tennessee or the rules and regulations of the State Department of Health issued thereunder.

In Witness Whereof, we have hereunto set our hand and seal of the State

this 7TH day of JULY, 2017.



By *James J. Davis, MPH*
DIRECTOR, DIVISION OF HEALTH CARE FACILITIES

By *[Signature]*
COMMISSIONER

SUPPLEMENTAL #1
Supplemental BOD D.1
August 29, 2017
1:15 pm

1:15 pm

January 10, 2017

Ms. Paula Boone, Administrator
Celina Health & Rehab Center
120 Pitcock Lane
Celina TN 38551

Re: 44-5445

Dear Ms. Boone:

The East Tennessee Regional Office of Health Care Facilities conducted a Health and Life Safety recertification survey on September 26 - 28, 2016. An on-site revisit and desk review of the facility's plan of correction for the deficiencies cited as a result of the survey was conducted on December 19, 2016. Based on the on-site revisit, we are accepting your plan of correction and your facility is in compliance with all participation requirements as of December 5, 2016.

If you have any questions concerning this letter, please contact our office at (865) 594-9396.

Sincerely,

A handwritten signature in black ink that reads "Tamra Turberville RN / MSN".

Tamra Turberville, RN, MSN
Public Health Regional Regulatory Program Manager

TT: cw

AUG 25 '17 PM 1:15

SUPPLEMENTAL #1

August 25, 2017

1:15 pm

AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF DAVIDSON

E. Graham Baker, Jr., being first duly sworn, says that he/she is the applicant named in this application or his/her/its lawful agent, that this project will be completed in accordance with the application, that the applicant has read the directions to this application, the Rules of the Health Services and Development Agency, and T.C.A. §68-11-1601, *et seq.*, and that the responses to this application or any other questions deemed appropriate by the Health Services and Development Agency are true and complete to the best of his knowledge, information and belief.


SIGNATURE/TITLE

Sworn to and subscribed before me this 25TH day of August, 2017
(Month) (Year)

a Notary Public in and for the County/State of Davidson/Tennessee.


NOTARY PUBLIC

My commission expires March 3, 2020
Month/Day (Year)



Supplemental #2

Celina Health &
Rehabilitation Center

CN1708-024

ANDERSON & BAKER
An Association of Attorneys
2021 RICHARD JONES ROAD, SUITE 120
NASHVILLE, TENNESSEE 37215-2874

SUPPLEMENTAL #2
August 31, 2017
9:58 am
AUG 31 11 08 AM '17

ROBERT A. ANDERSON
Direct: 615-383-3332
Facsimile: 615-383-3480

E. GRAHAM BAKER, JR.
Direct: 615-370-3380
Facsimile: 615-221-0080

August 31, 2017

Phillip Earhart, Health Services Examiner
State of Tennessee
Health Services and Development Agency
Andrew Jackson State Office Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243

Hand-Delivered

Re: Certificate of Need Application CN1708-024
Celina Health and Rehabilitation Center
Supplemental Responses #2

Dear Mr. Earhart:

Please find attached the Applicant's responses to your second set of Supplemental Questions.
Please contact me if you have any additional questions.

Sincerely,


E. Graham Baker, Jr.

Encl: As Noted

1. Section A, Project Details, Item 5. Management/Operating Entity

The overview of Grace Healthcare, LLC and their experience in managing nursing homes is noted. However, it appears Grace Healthcare was possibly subject to a Corporate Integrity Agreement (CIA) with the Inspector General of the Department of Health and Human Services. If applicable, please provide a brief overview of the CIA and if it is still active.

Response: On March 4, 2013, Grace entered into a Corporate Integrity Agreement (“CIA”) with the Office of Inspector General of the United States Department of Health and Human Services (“OIG”) in connection with a settlement of a claim that Grace inappropriately billed for rehabilitation services. Specifically, the Department of Justice (“DOJ”) alleged that Grace’s Rehab Ultra utilization exceeded state averages and was not always medically necessary. While Grace disagreed with the DOJ’s claims, Grace ultimately, without admitting guilt, resolved the matter with the DOJ and entered into a five-year Corporate Integrity Agreement.

The CIA is essentially a compliance contract with the OIG in which Grace and the OIG partner together to ensure outstanding compliance in all Grace facilities. Under our CIA, Grace is required to train all covered persons regarding the Grace CIA and Compliance Program requirements, including the Code of Conduct. In addition, this training provides information regarding federal health care program requirements and penalties for failure to comply with the CIA or federal health care program regulations. The CIA also requires Grace to provide “specific training” to individuals who are involved in the creation or submission of billing to federal health care programs, as well as those that provide rehabilitation therapy or perform assessments of residents related to rehabilitation therapy.

Each year, a third party Independent Review Organization (“IRO”) selects three facilities to audit claims for medical necessity and appropriate RUG assignment. Grace must not exceed an aggregate error rate of five percent to remain in compliance. At the completion of each review, Grace submits an annual report to the OIG to report the outcome the IRO reviews and various statistics and information.

Grace has completed the first four IRO reviews and has been below the five percent error rate each year and has written confirmation from the OIG after each annual report that Grace appears to be in substantial compliance with our CIA.

Our fifth and final reviews will begin in January 2018. Upon completion, Grace will submit the fifth and final Annual report to the OIG in May 2018. Once we receive confirmation from the OIG, Grace will no longer be subject to the CIA.

2. Section A, Project Details, 6B-(2) Floor Plan (located in Original Application)

The floor plan of the existing facility is noted. However, please submit a revised floor plan drawing which includes labeling of patient care rooms (noting private, semi-private, and ward rooms).

Please confirm the proposed addition will be located adjacent to rooms #211 and #210.

According to the floor plan, it appears rooms #101, #103, #105, and #108 do not have rest rooms. Where do patients use restroom facilities that are residing in those rooms?

Response: A new Supplemental Existing Floor Plan is attached. On that attachment, there are three different shading views to distinguish among the 3 different types of rooms: private, semi-private and 4 bed ward. There are 29 semi-private rooms (58 beds), 2 private rooms (2 beds), and one 4-bed ward (4 beds), for a total of 64 staffed beds. The facility is licensed for 66 beds, but staffs only 64 at the present time.

The proposed addition will be located adjacent to rooms #211 and #210.

Room #108 is an office and does not require a restroom.

Rooms #101 and #103 are private rooms, and those patients utilize a restroom inside their own respective rooms, and Room #105 is a 4 bed ward, and those patients utilize a restroom that was constructed off Room #105 toward the Mechanical Room. What had been submitted earlier was an old drawing of the floor plan. This new drawing shows those restrooms.

3. Section B, Need, Item A

Nursing Home Services Specific Criteria:

Item 10: Community Linkage Plan

Please indicate if the applicant expects to submit letters at a later date for providers in support of the proposed 12 bed addition that details instances of unmet need for nursing home services.

Response: The Applicant is in the process of obtaining letters of support which will be submitted well in advance of the hearing date.

4. Section C, Need, Item F.

Your response is noted. However there appear to be errors in the following tables. Please confirm the following calculations:

Nursing Home Utilization-2015

Name	Lic. Beds	Beds-MCARE only-certified	Beds-Dually Certified	Beds Level 1 certified MCAID	Licensed Only Beds Non-Certified	SNF MCARE ADC	Level 2 MCAID ADC	skilled All other Payors ADC	Non-skilled ADC	Total ADC
Celina Health and Rehabilitation Center	66	0	66	0		9.4		1.1	51.4	61.9

Source: Nursing Home JAR, 2015 (legend: Medicare=MCARE; TennCare/Medicaid=MCAID)

Response: The table above has been corrected.

Nursing Home UtilizationTrends-2013-2015

Facility	Licensed Beds	2013 Patient Days	2014 Patient Days	2015 Patient Days	'13- '15 % change	2013 % Occupancy	2014 % Occupancy	2015 % Occupancy
Celina Health and Rehabilitation Center	66	21,480	23,055	22,615	+4.8%	89.2%	95.7%	93.9%

Source: Nursing Home JAR, 2013-2015

Response: The table above has been corrected.

The following response is noted in Supplemental #1 in completing the projected utilization of the proposed 12 beds. However, is it realistic to only project skilled utilization for the proposed 12 beds while the applicant is dually certified? If needed, please revise the following chart.

Proposed 12 beds -Projected Utilization

Year	Licensed Beds	*Medicare-certified beds	SNF Medicare ADC	Level 2 Medicaid ADC	SNF All other Payors ADC	Non-Skilled ADC	Total ADC	Licensed Occupancy %
1	12	12	5.8	0	0	3.2	9	75%
2	12	12	7.0	0	0	4.0	11	92%

* Includes dually-certified beds

The following response is noted in supplemental #1 in the projections for the 78 bed beds in Year One and Year Two. However, is it realistic to project all skilled utilization while historically the applicant has experienced an occupancy consisting of 25% skilled and 75% intermediate care? If needed, please revise the following chart.

78 Bed Facility-Projected Utilization

Year	Licensed Beds	*Medicare-certified beds	SNF Medicare ADC	Level 2 Medicaid ADC	SNF All other Payors ADC	Non-Skilled ADC	Total ADC	Licensed Occupancy %
1	78	78	10.8	0	1.0	60.2	72	93%
2	78	78	12.0	0	1.0	61.0	74	95%

* Includes dually-certified beds

Response: The tables above have been corrected.

5. Section B, Economic Feasibility, Item C - Historical Data Chart

There appears to be calculation errors in the 2016 column of the Historical Data Chart. The Gross Operating Revenue total appears to total \$5,717,327. Please correct and submit a revised Historical Data Chart.

Response: There are some rounding errors, for which we apologize. The Gross Operating Revenue should be \$5,717,277. This error plus 2 more rounding errors have been corrected, and replacement page 21 is attached.

6. Section B, Economic Feasibility, Item E

The table of the project's average gross charge, average deduction from operating revenue, and average net charge is noted. Please clarify the reason the projected figures are higher than the previous and current year.

If the applicant revises the projected utilization in Year One and Year Two to include intermediate care, the project's average gross charge, average deduction from operating revenue, and average net charge for Year One and Year Two may need to be revised.

Response: The assumptions made for the 12 bed addition included the assumption of increasing the skilled base (M'Care), resulting in higher figures. So the planned increase of the 12 additional beds is disproportionate with the overall current payer mix. We currently run approximately 30% of gross revenue in M'Care and 65% in M'Caid. The projected 12 bed assumption is to run those at 85% M'Care and 15% M'Caid. With the variation in average revenue per day between M'Care and M'Caid, coupled with the planned increase over current averages in M'Care, it would be expected to see a large variation in the average dollar rate between current performance compared to 12 bed projection only.

Therefore, no adjustment is needed.

7. Section B, Economic Feasibility, Item G

The projected payor mix table for Year One is noted. However, the projected gross operating revenue totals does not match any of the submitted Projected Data Charts or the Historical Chart. It appears the applicant used the Net Operating Revenue totals for Year One and Year Two. Please revise and submit a replacement page 32 to reflect the payor mix of the historical data chart and projected data charts for the total facility and the 12 bed addition Projected Data Charts using the total gross operating revenue total.

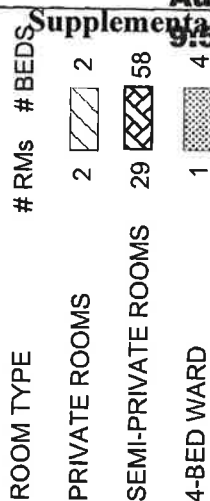
Response: Please see replacement page 32. The table now uses gross vs. net revenue numbers.

PROPOSED PROJECT LOCATION

August 31, 2017

Supplemental Existing Floor Plan

9:58 am



LEGEND

You Are Here
Evacuation Route
Fire Extinguisher
Pull Alarm

© 2010 INTERSIGN CORPORATION

August 31, 2017

9:58 am ☐ Total Facility
☐ Project Only

HISTORICAL DATA CHART

Give information for the last *three (3)* years for which complete data are available for the facility or agency. The fiscal year begins in January (Month).

	2014	2015	2016
A. Utilization Data (Specify unit of measure, e.g., 1,000 patient days, 500 visits) Patient Days	<u>23,125</u>	<u>22,624</u>	<u>23,439</u>
B. Revenue from Services to Patients			
1. Inpatient Services	<u>\$5,839,132</u>	<u>\$5,870,065</u>	<u>\$5,716,243</u>
2. Outpatient Services			
3. Emergency Services			
4. Other Operating Revenue (Specify) prior year adjustments	<u>(699)</u>	<u>15,244</u>	<u>1034</u>
Gross Operating Revenue	<u>\$5,838,433</u>	<u>\$5,885,309</u>	<u>\$5,717,277</u>
C. Deductions from Gross Operating Revenue			
1. Contractual Adjustments	<u>\$1,275,352</u>	<u>\$1,100,081</u>	<u>\$806,378</u>
2. Provision for Charity Care			
3. Provisions for Bad Debt	<u>(20,742)</u>	<u>(8,380)</u>	<u>11,342</u>
Total Deductions	<u>\$1,254,611</u>	<u>\$1,091,701</u>	<u>\$817,720</u>
NET OPERATING REVENUE	<u>\$4,583,823</u>	<u>\$4,793,608</u>	<u>\$4,899,557</u>
D. Operating Expenses			
1. Salaries and Wages			
a. Direct Patient Care	<u>1,171,083</u>	<u>1,189,677</u>	<u>1,265,420</u>
b. Non-Patient Care	<u>833,994</u>	<u>975,446</u>	<u>1,032,838</u>
2. Physician's Salaries and Wages			
3. Supplies	<u>670,121</u>	<u>643,178</u>	<u>578,864</u>
4. Rent			
a. Paid to Affiliates	<u>355,938</u>	<u>355,938</u>	<u>369,478</u>
b. Paid to Non-Affiliates			
5. Management Fees:			
a. Paid to Affiliates			
b. Paid to Non-Affiliates	<u>230,353</u>	<u>239,680</u>	<u>244,978</u>
6. Other Operating Expenses	<u>1,226,873</u>	<u>1,252,599</u>	<u>1,284,904</u>
Total Operating Expenses	<u>\$4,488,362</u>	<u>\$4,656,519</u>	<u>\$4,776,482</u>
E. Earnings Before Interest, Taxes and Depreciation	<u>\$95,460</u>	<u>\$137,089</u>	<u>\$123,075</u>
F. Non-Operating Expenses			
1. Taxes	<u>\$</u>	<u>\$</u>	<u>\$</u>
2. Depreciation			
3. Interest		<u>581</u>	<u>507</u>
4. Other Non-Operating Expenses			<u>500</u>
Total Non-Operating Expenses	<u>\$</u>	<u>\$581</u>	<u>\$1,007</u>
NET INCOME (LOSS)	<u>\$95,460</u>	<u>\$136,508</u>	<u>\$122,068</u>

Chart Continues Onto Next Page

- G. Discuss the project's participation in state and federal revenue programs including a description of the extent to which Medicare, TennCare/Medicaid and medically indigent patients will be served by the project. Additionally, report the estimated gross operating revenue dollar amount and percentage of projected gross operating revenue anticipated by payor classification for the first year of the project by completing the table below.

Historical

Payor Source	Projected Gross Operating Revenue	As a % of Total
Medicare/Medicare Managed Care	1,643,474.15	28.8%
TennCare/Medicaid	3,745,302.33	65.5%
Commercial/Other Managed Care		
Self-Pay	325,847.67	5.7%
Charity Care		
Other – Hospice and Misc. other	2653.43	<.01%
Total	5,717,277.58	100.0%

Facility Projected Yr1

Payor Source	Projected Gross Operating Revenue	As a % of Total
Medicare/Medicare Managed Care	3,017,504	39.4%
TennCare/Medicaid	4,343,749	56.7%
Commercial/Other Managed Care		
Self-Pay	290,740	3.8%
Charity Care		
Other - Misc. guest meal revenue, rebates, etc.	18,313	<.01%
Total	7,670,305	100.0%

Project Only Yr 1

Payor Source	Projected Gross Operating Revenue	As a % of Total
Medicare/Medicare Managed Care	1,257,054	84.4%
TennCare/Medicaid	230,308	15.5%
Commercial/Other Managed Care		
Self-Pay		
Charity Care		
Other (Specify)	2,295	.1%
Total	1,489,657	100.0%

August 31, 2017

9:58 am

AFFIDAVIT

2017 AUG 31 09:59

STATE OF TENNESSEE

COUNTY OF DAVIDSON

NAME OF FACILITY: Celina Health and Rehabilitation Center, CN1708-024

I, E. Graham Baker, Jr., after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete to the best of my knowledge, information and belief.


Signature/Title

Sworn to and subscribed before me, a Notary Public, this the 31st day of August, 2017, witness my hand at office in the County of Davidson, State of Tennessee.


NOTARY PUBLIC

My commission expires 3/3/20.

HF-0043

Revised 7/02

